Vancouver, British Columbia—A "Different" City

VANCOUVER, BRITISH COLUMBIA, in Canada's Evergreen Playground, is one of the very few cities in the world that have multiplied their population more than 200 times in two generations. The population of Greater Vancouver in 1886 was 2,000 and in 1954 is 553,292 and destined to be much larger.

Due to its strategic location as a deep water, ice-free port on the Pacific Ocean, the terminus of the two largest trans-continental railroads in the world and its equable climate, it is a tourist paradise and a great place to work, to play and to live.

Whatever you seek; rest, excitement, adventure, or something different, you will find it in or near Vancouver, British Columbia. Vancouver is bustling as befits the commercial centre of one of the world's newest industrial empires.

But, in a matter of minutes the bustle of downtown Vancouver is all but forgotten as you relax in the dozens of natural parks, beaches, mountain playgrounds that surround the city. The mountains, the sea, the forest are not just in or near Vancouver, it is literally carved right out of the evergreen forest, the Coast mountains, and the Pacific Ocean.

You can travel the wide world over but you will never find another city exactly like Vancouver, British Columbia, Canada. It is one of the world's truly "different" cities.

Vancouver is the home of the Retail Credit Grantors' Association; the 13th largest unit of the National Retail Credit Association with 642 loyal members. District Ten will hold its annual meeting in Vancouver, at the Vancouver Hotel, May 21, 22, 23, and 24, 1955.

The picture above was supplied by the British Columbia Travel Bureau, Victoria, British Columbia.

CREDIT WORLD

ONLY PUBLICATION SERVING THE ENTIRE FIELD OF RETAIL CREDIT

On behalf of the 2,800 credit bureaus and collection service offices in our association, we wish you a very merry Christmas and an even happier New Year

ASSOCIATED CREDIT BUREAUS OF AMERICA INC.

7000 Chippewa Street **St. Louis 19, Missouri**

The CREDIT WORLD

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The Credit Bureau, Great Oaks From Little Acorns Grow

Thomas Downie
Manager, Credit Bureau of Vancouver

IT REQUIRES considerable moral courage in the best of times to institute and organize a new enterprise, but to bring that business into being when the economy of the country is teetering on the verge of collapse would appear to be downright suicide.

On October 1, 1921, with Charles L. Welch as a working partner, we re-organized a bureau that had been formed in 1912. Any person who pioneers a movement must be prepared for a struggle in the formative years, yet many times we feared that we were rather premature and that perhaps Vancouver was not yet ready to accept the service we had to offer. In 1925 we helped set up the Retail Credit Grantors' Association. Again we felt that we were ahead of our time and to maintain the bureau and render the necessary service, we had to engage in some real down-to-earth salesmanship.

It was most discouraging at times but the fledgling business received a boost in 1930 when a group from California, on their way to attend a National Retail Credit Conference in Toronto, stopped off in Vancouver and at a meeting of those interested in sound credit, set up the Retail Credit Grantors' Association and from that day forward there was no looking back. That marked the turning point and laid the groundwork for the Association which today is a potent force in the business life of Vancouver.

Remember that 1933 was the worst year of the great business depression that rocked the financial world and sent thousands of formerly successful businessmen to the breadlines. Money was scarce and the merchant who managed to keep his doors open was ready to trade with any customer, disregarding credit records and hoping that he would take in enough from each day to feed his family.

It was a trying period for a young man with a dream and I grew accustomed to hearing complaints of those upon whom I called; complaints of bad times, long years of privation ahead, no possible hope for recovery and no extra cash to squander for membership in a credit organization. We stuck to the job and our three-member organization, Mr. Welch and one girl and myself, managed to remain in business. Mr. Welch retired from active business in 1944.

Today the organization in Vancouver employs 70 on its staff and provides up-to-the-minute service with its complete credit reports, an efficient bailiff service, and locate and collection departments. Some conception of the activity in the office may be gained from the knowledge that there are 50 telephone lines and during the working day most of them are kept busy.

It is a far step forward from the time in 1921 when after taking counsel with J. Trusedale of the Reail Merchants Association, we decided to join the Mercantile Agencies in order to establish the business on a solid foundation. In 1934, another step was taken when G. R. Baird, then president of the local association, went to a national convention at Omaha and came back to arouse the interest of his Vancouver members in the advantages of membership in the national association. Now all are members of the National Retail Credit Association and all realize the value of that connection.

While most of this article has of necessity emphasized the part played by myself, the names of C. M. S. Gale, Herb. Smith, and Theo. Winram, helpers in the early days, should not be forgotten. They pioneered when credit was not developed to any extent and they proved to businessmen and merchants the value of a good credit record. Today in Vancouver alone there are 800 members in the organization and the future looks bright.

British Columbia is moving ahead industrially, and that means added work for the Credit Bureau; however, that is accepted as a service which will benefit the country as a whole. In the northern section of the province entire cities are being built, and the names of Kitimat and Kemano are now household words around the globe. Big developments are under way at Castlegar, near Trail; the Pacific Great Eastern Railway is being extended; power plants are being established along the giant Columbia River and in almost every section of the interior there is a growing field of industry.

This all means work for the expanding Credit Bureau and it means also that British Columbia and Vancouver are taking their place among the leading business and industrial sections of the continent. It may be an old adage, and it may be stale to repeat it, but if there is any truth in the tale that great oaks from little acorns grow, then the Credit Bureau of Vancouver may stand as proof that at one time in its life it was a little acorn and all indications are that it is reaching the great oak stage in its upward advancement. ★★★

Conferences—Sizes and Value

Harold D. Bell
Bell & Mitchell, Ltd., Vancouver

OF THE MANY FACETS of credit work, perhaps the most intriguing are the various conferences held within the organization. It is here that the glamour lies, the fanfare and the show, for we attempt not only to educate ourselves and keep abreast of current problems, but provide a compelling means of publicising our efforts. Let us look at these three forms of public expression.

Our main, or National Conference, in the past few years, has become a matter of great growth and pride. With the membership of the N.R.C.A. now over the 35,000 mark and growing rapidly, the attendance at the annual conference has definitely taken on a big league status. This, of course, has meant a terrific amount of work on the shoulders of the planning committees responsible. This responsibility must be discharged in the same big league way as is proven by the enthusiasm with which each succeeding conference is received by the delegates. Naturally, we cannot overestimate the value of the association, our numbers, and the publicity before and during the conference, to say nothing of the money spent, must bring a consciousness to some of the citizens at least, of the aims and efforts of those engaged in credit work.

To what may we attribute this amazing growth of interest and numbers? While no one cause can be singled out, it is evident that the District Conferences have played an important role and their contribution cannot be overlooked. These yearly meetings have generated and maintained an interest and following that has gone a long way toward achieving our present development. Nor can we overlook the top-flight work of the various membership committees of the Districts and the N.R.C.A. whose work has been outstanding and would rank high in any field. To their untiring efforts we owe our status today and the future, in their hands, is in good keeping.

Progress in the National Field

This wonderful progress in the national field has brought problems peculiar to a growing organization. Year by year, our very size narrows the number of cities able to accommodate our multiplying attendance. Long planning and concerted effort is necessary and now the location of our International Conferences is scheduled three and four years in advance. To a lesser degree the same conditions are becoming apparent with respect to District Conferences.

This is not to infer that the International or District Conferences should, in any way, be curtailed. On the contrary, the value of these meetings more and more justifies the exhaustive preparations of those whose fortunate lot it is to be hosts. One and all are to be congratulated for the excellence of their planning and the smoothness with which these complicated affairs are conducted.

Now, let us turn our attention to the "grass roots" sectional meetings. As the smaller centres have been precluded from participating in the other meetings as hosts, they, nevertheless, have an increasingly important part to play in the whole picture. Though the association at first found its most fertile field among larger cities, the development of local associations in cities from 50,000 down has developed by leaps and bounds. This is forcibly brought home to us in the membership standings published in The CREDIT WORLD. These associations, large and small, are checkerboarding our countries in such a manner that our credit granting and control is truly national in scope and effect. The membership committee may well be proud for to them goes most of the credit for the organizing and developing of so many linking associations.

Advantages of Sectional Meetings

The sectional meeting is the definite prerogative of any city that may not be large enough to sponsor a District meeting by limitation of either membership or accommodation. This privilege should never be usurped by any of the larger centres. The advantages are:

Education. We can never cease our programs of education among our members and here is one readily available. At the same time, the host city gains the experience of planning and executing a successful meeting that, in its scope, brings out all the organizational ability of any meeting, large or small. Results are more important than numbers in attendance.

Cost. The one- or two-day sectional meeting does not place as great a burden financially on the host association, nor, for that matter, on the visiting delegates. In the face of rising costs this is important. Also, less time is consumed in travel.

Publicity. This all-important factor is usually excellently handled and complete coverage is given to every meeting. While only one District meeting is held yearly, several sectional meetings may be held in the district during the year with attendant publicity within each area.

People. Sectional meetings, which of necessity have a smaller attendance, offer a greater opportunity to meet more fellow credit granters than is possible in the larger meetings.

Authority. It is my experience that in the smaller cities there are more members of the association who own, or are managers of, their businesses than is true of the larger centres. They, therefore, are vitally interested in the points of discussion which will so often affect them personally and can, on occasion, speak with complete authority. Too, they see at firsthand the benefits of membership and the sincerity of effort of all who contribute to the solution of credit problems.

Members in larger centres have an opportunity to par-

(Turn to "Conferences," page 21.)

Vancouver—Third Breakfast Club

LILLIAN E. HEAD, *President,* Vancouver Credit Women's Breakfast Club

THOSE WHO do not understand our function frequently ask us to explain the benefits of a breakfast club. They express amazement when they learn that each month about 34 businesswomen meet for breakfast, discuss mutual problems, hear a speaker, make plans for social events and bind closer together the policies of established credit. While we feel there is nothing new or novel about the general program of a breakfast club, we have a deep pride in the manner in which our affairs are conducted and most certainly feel we are all interested when we note the record attendance at our matutinal meetings.

These meetings of the minds give all of us a better opportunity to exchange ideas. We learn from one another. Credit in itself is a distinct part of business administration and many of the girls who are at first reluctant to join are soon our most enthusiastic boosters. We publish a regular bulletin to maintain the interest and we find great solace in meeting the young women from other credit establishments; women we would possibly not meet under any other circumstances. The social advantages must not be minimized. There is something inspiring about a group gathering in the early hours of the morning, when minds are fresh and ambitions high, to analyze and discuss current problems.

It is surprising how much a person can learn when sitting in a congenial atmosphere and knowing that there are no secrets to be observed, no confidences to be violated. In our own way we offer help of an important nature to the men's organization. We waste little time in useless gossip as all of us appreciate that the work which we are doing is most vital to the business welfare of our community.

In Vancouver we are particularly fortunate that we have in our organization some of the most brilliant minded credit women in the profession. This is not offered in a boastful manner; it is a matter of plain fact and is one of the reasons we are so successful in our deliberations and so cooperative in our exchanges of information.

We are proud that our club was the third breakfast club to be formed in North America, and on September 16, 1954, 84 members and guests shared in the 22nd Birthday wish proposed by Vi Roots. At the moment we are arranging for the Pacific Northwest Credit Conference which will be held at the Hotel Vancouver in May, 1955. All of us are looking forward to this event and every committee is working to ensure that the affair will be an outstanding success.

If there is any city which has not formed a Credit Women's Breakfast Club, I suggest that this oversight be rectified immediately. The rewards are encouraging. The sacrifices are minute. Better relations will be established between the girls which will be reflected in the improved knowledge and better service which can be offered to all those with whom we do business. The breakfast club is an integral part of the over-all organization and those cities which have not tried out this plan are much the poorer for their omission. ***

A Potent Force in Business Development

W. J. Kerr
***President,* Retail Credit Grantor's Association**
Vancouver

WE BELIEVE that we have solved one of the most distressing problems of any association and that is the getting of a large attendance at monthly meetings. Too many organizations, similar to ours, hold their regular meetings with about 15 per cent of the total membership in attendance. In this regard we have been most fortunate and it is not just a matter of chance.

For example, a recent meeting featured a panel of experts and questions directed to the panel from the floor were all answered briefly and intelligently. We were forced to provide extra seating accomodation and all attending voted the meeting an outstanding success. That is just one of the many activities that we have arranged to stimulate interest among the membership.

In 1951 a credit course was arranged through the Department of Commerce at the University of British Columbia and proved most popular. Professor Lawrence M. Vukelich was assigned to the Association to conduct the sixteen-week course of study. Forty-five students successfully completed the course which was the first of its type ever offered to those engaged in the retail trade in Canada.

The training course received such support and proved to be so successful that a similar program was offered the following year, at the close of which 38 credit personnel received diplomas. We felt then that we had started something that would prove to be of immense value through the years and it served to demonstrate the vitality of the association. In 1953 we sponsored an elementary credit course using the textbook *Retail Credit Fundamentals* by Dr. C. W. Phelps, available from the National Retail Credit Association.

The lecturers were selected from outstanding credit men in the Vancouver Association, and these members devoted considerable time and talent in preparing their lectures and in assembling material for the final examination at the end of the course.

Plans For Credit School

Plans are now being completed for studies to be offered in February, 1955. At that time we are bringing Sterling S. Speake to Vancouver to present his concentrated four-day course in credit. Indications are that we shall have an enrollment of between 90 and 100 for this series.

But we must not create the impression that all we sponsor is training courses. We are particularly enthusiastic over our Prompt Pay advertising program. In this plan each member is assessed one dollar a month and each month we publish a release in each of our three daily newspapers in Vancouver. This plan is proving most beneficial and it can be highly recommended to any association wishing to stimulate its membership and to keep interest at a high level.

The cooperation which is a feature of the Vancouver Retail Credit Grantors' Association is a source of real inspiration. There is a definite sense of loyalty among all members and we work as a team, each member taking his share of the load and always turning in a perfect performance.

For example, on September 14, 1954, we sponsored a dinner jointly with the Canadian Credit Men's Trust Association, welding together credit cooperation in Vancouver. This meeting was a success from every standpoint and received the unstinted approval of both organizations. We plan to continue it as a regular annual affair. Currently we are in the midst of planning for the Pacific Northwest Credit Conference, May 21-24, 1955. At that time we shall act as hosts and we are eagerly anticipating meeting our many friends in discussions of mutual interest.

In summing up, we are most happy in our relationships. We are looking ahead and are taking advantage of the lessons learned in the past to offer better service in the future. We are a growing community. Business is healthy. There is none of the petty bickering here that is often recorded in less fortunate cities. The Retail Credit Grantors' Association is a potent force in the business development and we mean to maintain that position through service, for in serving others we are convinced we also serve ourselves. ★★★

Campbell Smith

Vancouver's Credit Forum

Harold H. Evans, M.C.I.
Manager, Customers' Accounts Offices
The T. Eaton Co. Canada, Ltd.
Vancouver

THE MONTHLY MEETINGS of the Vancouver association are invariably interesting to all credit granters, and are usually well attended by the membership at large. Whenever a panel discussion is presented, the attendance is larger than ordinary, as was the case when we presented a panel under the heading "Credit Forum," which was a "Discussion of Current Credit Problems."

We usually have a cross section of our members on the panel, so we are prepared to answer questions from all angles. Panel members were:

Moderator: Campbell Smith, Hudson's Bay Co.
Banks, Ed Rush, Bank of Toronto.
Automotive, Harry Buker, Begg Motors, Ltd.
Finance, Ken Annandale, Consolidated Finance.
Department Stores, Harold Evans, T. Eaton Co. of Canada Limited.
Specialty Stores, Andy Gillespie, Sweet Sixteen, Ltd.
Oil & Fuel, Barney Wiseman, British American Oil Co.
Lumber & Building Supplies, Stu Jenkins, Albion Lumber Co.
Legal & Collections, Granville Mayall.

The questions and answers took up the entire time allotted to them, and by no means exhausted the list of questions which the members had sent in beforehand. We believe that you will be interested in reading the questions and answers of this panel, as it does cover current credit problems which we are all experiencing from day to day.

1. Q. How do you handle credit seekers of doubtful paying habits who, at the time of application, are also negotiating with your sales department for a car or truck?

A. Our approach to this situation is:

1. Endeavour to retain the business on a cash basis.

2. Failing this, obtain an endorsement of undoubted paying ability.

3. A frank discussion of the situation (once you have all the facts). It is better not to grant credit in the first instance, rather than to get into a contract and have to repossess. It makes for better public relations. I have had customers come back later and acknowledge they now agree the action taken in refusing the credit was the proper one.

2. Q. How old should an account be before it is given out for collection?

A. It is admitted the older the account is, the more difficult it becomes to collect. In the case of customers that you have known for years and pay, (but in certain cases some months beyond terms) these cannot be handed over for collection as early as other accounts. Good judgment again is necessary, and accounts might be turned over for collection in four to five months, unless it is definitely known that you are dealing with a person who is evading settlement, when, of course, immediate collection action becomes necessary.

3. Q. If you have to refuse a customer credit, what procedure do you follow?

A. This is, in my estimation, the most difficult task of anyone with the responsibility of extending credit. How to say "No" and still retain the good will of the applicant toward the store or firm you own or represent. When we find it necessary to refuse credit to an applicant whose paying reputation is unsatisfactory, we endeavour to say "No" as diplomatically as possible. It might sometimes be for the reason that the applicant was requesting more money than we felt he had the ability to repay over the prescribed term, and if this was the case, we would tell him so without beating about the bush. If his paying reputation was such to make him a definitely undesirable risk, we would possibly say, "Sorry, your application does not meet with our credit requirements." In any event, leave the applicant in as friendly a frame of mind as possible.

Question on Special Privileges For Customers

4. Q. Should special privileges be given to long established customers who are slow in paying bills?

A. There are certain conditions under which this type of customer should be given special privileges. Some people only get their money once every six months; others, on a yearly basis. The main thing is that you have to know your customer. Once you establish how he will pay and when, then you can grant special privileges. Personally, I do not think that anyone should buy on a monthly basis if he does not intend to pay on that same basis. I would say that it depends on the individual customer and your policy.

5. Q. What is the most effective way of contacting inactive accounts?

A. There are several ways of contacting inactive account customers, all of which cost money, but if used properly, will pay off.

a. After a certain length of time, which will be determined by the type of merchandise sold, inactive customers can be contacted by telephone, inviting them to reopen, and by mentioning certain specific items of interest.

b. A continual follow-up system of direct mail advertising sent to customers will bring results.

c. Premium gift offers for customers who reopen their accounts.

6. Q. Do you favour a personal contact with the customer for the authorization of larger charges?

A. I do not feel that it is necessary to make a customer contact in the credit department for the authorization of larger charges for the following reasons:

a. When the account is first opened, all available credit information concerning the applicant should be obtained, and from this information, a limit can be set at the time of opening.

b. A customer will have established a paying record by the time she wishes additional larger charges, in most cases, and in doing so, she writes her own credit rating.

c. In small stores, the ledger card is always on hand and can be examined before all further charges are made.

7. Q. How is overbuying controlled where the customer holds a credit card?

A. Oil company cards, generally speaking, are honoured from coast to coast and all over the United States, which makes it very difficult to control. I would say that 98 per cent of the accounts which become overdue usually respond to a letter from the office to return their credit card. But there are always a few unscrupulous individuals who apparently set out to buy all they can. We send out lists of such accounts to the oil dealers. It is easy as far as Canadian dealers are concerned, but a difficult proposition in the States, because of the vast number of dealers' outlets. Another difficulty is the length of time it takes to get back to our office.

8. Q. How long is an account permitted to be past due before beginning collection routine?

A. When the first statement is mailed, showing a one month overdue balance, a friendly reminder is attached. This is followed with a second reminder 20 days later. When a statement is mailed showing three months owing, a carefully worded form letter is sent definitely requesting payment or the return of the card or book. The first form letter may be withheld under certain circumstances, such as a customer of long standing who has written and explained his reason for delinquency, or in the case of certain others whose financial position is unquestioned. Generally, however, three months owing calls for positive action.

9. Q. Some companies have adopted the policy of having all collection letters individually typed. Is this practical? Does the additional pulling power more than offset the increased cost?

A. The answer to this one seems to be a matter of personal preference on the part of the credit granter. A small business might feel that individually typed letters did bring them better results. On the other hand, where a large volume of accounts are being followed, such a practice could be burdensome and the results out of proportion. A sudden and serious increase of purchasing volume with some type of customers might be remedied by an individually typed letter, because of the psychological effect and the size of the account. Basically, however, I think that in a normal case, it matters little whether the communication is an individually typed letter or a mimeo-form letter since the message is conveyed to the customer in either case. ★★★

The Importance of Credit in Today's Market

Bernard A. Gunn
***Manager,* Business Management Department, Sales and Advertising Division**
Ford of Canada

IN THE DAY-TO-DAY process of handling credit, do we realize the place that credit holds in our business system? Has it just grown like Topsy, and become an accepted fact, and therefore no longer having any significant importance other than that attached to the extending of credit and the ensuing collection of accounts?

Before we come to a point of quick denial of this attitude, we would do well to examine the meaning of credit. Just what is credit? Like many of the terms used in economics, credit has a variety of meanings, and although the meaning of the word "credit" is generally known since it pervades so thoroughly the everyday transactions of modern society, there is apparently no single definition that has been found acceptable to all.

The word "credit" is derived from the Latin "credo" meaning "I believe," and "credo" itself is a combination of two older words, the Sanscrit "crad" meaning "trust" and the Latin "do" meaning to "place." Thus we have credit as faith or confidence which is engendered between two persons. Almost from the inception of time, credit has been a matter of faith between one man and another. In business practise, however, those who authorize a credit transaction are accustomed to speak of authorization of credit as "giving" or "granting" credit. Is credit a quality bestowed upon the borrower by the lender? Or is it the recognition by the lender of a quality or faculty possessed by the borrower?

The more general view regards credit as a power possessed by certain individuals which is not limited by the extent to which it is used. Credit, therefore, is not a quality bestowed on one by another; it is not "given"; it is not "granted" except in the sense that by "granted" we understand that it is conceded to exist. It is a quality, therefore, which we recognize and appraise just as we recognize and appraise, but do not bestow, the quality of, say, beauty.

The borrower does not really ask for credit; he offers credit, and it is accepted or rejected by the lender according to whether or not the credit is appraised as sufficiently high. Many of the largest loans in history have been predicated upon the moral responsibility of the borrower, whether that borrower be a large corporation or an individual. Credit implies confidence of the creditor in the debtor; and the credit system implies general confidence in people's ability to meet their obligations.

The use of credit and the development of its role in business was slow at first, due to the fact that great emphasis was placed on self-reliance and self-sufficiency by the early settlers who pushed civilization westward. At the same time, had it not been for the trust and confidence placed by those with possessions in the individuals who were willing to withstand the hardships encountered in the development of this vast country of ours, would we be enjoying the standard of living which prevails in this country today?

The pioneer days were days of individual effort, but today, in a vastly more complex society, we must depend on each other. Thus cooperative endeavor tends to replace individual effort. Consumer credit, as we know it today, is an example of this cooperative endeavor, and consequently, its importance in the economy of this country has grown tremendously.

There are some people who feel that the country would be better off if everyone paid cash instead of having debts hanging over his head, but how sound is this stand? I feel that we can all be glad this concept does not generally prevail, for if all instalment buying ceased and consumer purchasing were suddenly placed on a cash basis, our national economy would probably stagger into what would, no doubt, be the equivalent of a complete collapse.

Why do I come to this conclusion? Let me put it another way. If most people were not buying on an instalment basis, the average person simply could not afford to pay cash. A new refrigerator would perhaps cost $3,000 if they were not mass produced. A new Ford might run about $4,000 and radios would be priced around $750.

Do we give sufficient consideration to the relationship which exists in today's market between instalment buying and mass production? I venture to say that too few of us realize that mass production is impossible without mass sales, and that mass sales are impossible without the extensive use of consumer credit, which means time-payment plans. This is the keystone of our present-day economic system which has produced so many tangible benefits which add to our comfort, our pleasure and our security.

Our standards are improving every year and this increasing production of wealth can be said to stem from three principal sources:

(1) Our ingenuity as people,
(2) The abundance of our natural resources, and
(3) Most important, our system of mass production and mass sales through consumer credit.

I am reminded of my experience in my younger days. At that time I was quite serious about an active musical future and purchased, on a time-payment plan, a grand piano. Was it wrong for me to enjoy the benefit of a fine piano while I was paying for it? When I look back and consider the number of other ways in which that same money might have been dissipated, I cannot help but feel that instalment buying is beneficial.

Today we enjoy the fruits of our own labour and this, to my way of thinking, describes what is possibly the most important economic advance in history. Consumer credit has made it possible. How would we like to go back to the time when only a handful of the people enjoyed what the rest produced? One might argue that people can save their money in advance to purchase goods they want, but history has shown that people have never saved in advance with the uniformity and consistency required to create mass markets for products, no matter what incentives have been offered. Credit, then, is really the only bridge between mass production and mass consumption.

When we look at the growth of credit and the growth of the companies whose products are distributed principally through credit channels, we realize the contribution that credit has made to our modern way of life. Credit does not stop here, however, since it creates other activities. In many industries the value of the by-product is often as great in worth as the principal product.

The automobile alone, for example, has created more wealth than can ever by imagined. Apart from all the material and workmanship that go into the automobile and its allied businesses, there must be considered the development of our super highways which, in themselves, have created work, used materials and services running into hundreds of millions of dollars. The automobile developed instalment credit and instalment credit developed the automobile.

Retailing, of course, like any other business, must operate at a profit but the real role of the retailer in business is to distribute merchandise. It is through the retailer's efforts in satisfying the greatest number of customers that he is able to march ahead year after year in making possible a greater distribution of the products of our factories.

He adopts credit plans to meet the particular needs of all, and as new products are put on the market, he joins with the manufacturer in many ways to create a desire for the use of the merchandise. Both mass production and mass distribution, aided and made possible by consumer credit, therefore work together to give us a better life.

Consumer credit will continue to be of increasing importance in the distribution of the products we now make and those yet to come. However, the rate at which it grows in importance, and the soundness of its growth, are up to people like yourselves, who are directly concerned with its use. This is a responsibility, the importance of which is not fully enough understood and appreciated by management today, nor is it accepted in this degree of importance by all persons involved in the extension of credit facilities. In pre-war times, credit and the work of administering the credit policy of an organization assumed a degree of importance which appears to have been partially lost during the years from 1940 to 1953.

Many factors resulting from war-time conditions and post-war market shortages contributed to this situation. In short, it became relatively easy to be a credit manager. Credit management became over-simplified during this period. First, the seller, in a good many cases, had the opportunity of selecting his customers. Second, where extension of credit was involved, he could, to a large extent, select his terms. The position of credit management was further minimized when cash discounts for prompt payment in some lines were abandoned. It was no longer considered necessary to bite into profits by one or two per cent to provide an incentive for faster payment of accounts. Thus the treatment of credit management in a sense became a neglected field of industrial and business enterprise.

With the return to what might be considered more normal competitive conditions in today's market, there is an increasing realization that the handling of credit in our economy has a great influence on what has been termed the swing from "boom to bust." The conditions which I have just outlined have now been reversed and credit has suddenly become an important aspect for any organization which has to sell its products or services.

There is grave danger of the pendulum swinging too far as a consequence of the increasing risk which develops under the increasingly sharp competition which has returned to the market in practically all lines. We defined credit as representing a state of faith or confidence engendered between two persons. Credit dissolves, therefore, with lack of confidence and as the *Columbia Encyclopedia* puts it "helps to cause economic crises, panics, and depressions."

If we are not careful, the situation can easily become complicated through a compounding set of circumstances. Competitive conditions make it necessary for everyone, particularly those in the retail trade, to bring as many customers as possible into their sphere of influence. This condition brings us face to face with two new factors. On one hand competition forces us to consider, and in some cases to actually seek out, even weak credit risks; on the other hand, these risks have in many instances become still worse through undesirable changes in what might be called the economic climate. These circumstances tend to create a compounded restriction and our handling of credit may ultimately be a deciding factor in our continuing to grow and to expand our economy.

When I speak of restrictive influences I am reminded of the manner in which Dr. George Moller recently described the way in which business might be hampered thereby when he said,

> If all at once all credit granters tried to rush out of one door it would cause panic in the same way as if fire broke out in a theatre and everyone wanted to get through the exit at once. This kind of situation can develop in the credit field in the case of, let us say, a wholesaler who has several manufacturers supplying him with merchandise. If all these manufacturers want their money back at one time or decide to restrict the wholesaler's credit line, the latter will become insolvent. Such a move would probably occur at a time when the wholesaler is saddled with more inventory than is healthy for the volume of his normal transactions but would be particularly embarrassing when coming at a time when his normal volume has shrunk. So again we encounter a vicious compounding of unfavorable circumstances. These circumstances, of course, could force firms out of business which are quite sound but which, having extended their credit in a favorable climate, naturally cannot withstand concerted pressure laid upon them at the same time.

At this point I might expect someone to draw attention to the increase in business failures which have occurred this year. It is true that, although failures in the second

quarter of this year showed a sound decrease from the first quarter, they still rank 45 per cent above the 236 reported in the second quarter of 1953. More importantly, liabilities involved were nearly tripled at $15,-294,000 as against $5,782,000 a year ago.

In commenting on this situation, the *Monetary Times* emphasizes the fact that, while Canadians cannot help but read a warning into this increase in fatalities, the experts point out that it reflects a return to the normal competitive condition in business, and should occasion no great alarm. In the heyday of postwar shortages and easy selling it was inevitable that many persons would get into business who would go to the wall when the going got tough.

Credit is now becoming an important tool in sales activities. When effectively used, it is an important instrument of sales promotion and builds volume and profits. Credit is not difficult to control, but proper care is definitely required in its application. From the over-all management point of view, it is essential that credit policies and selling terms be on a basis which will neither discourage the legitimate customer nor pave the way for serious losses in the form of bad debts. It is unwise to reduce the credit granted to such a point that the decrease in net profit will be greater than the cost of the bad debts that would be suffered had the credit not been restricted.

Business today is recognizing that a new branch of management has come into existence in commercial organizations, namely, credit management. In broad terms the functions of credit management can be said to be threefold: first, the securing of new business; second, the control of credit; and third, the collection of debts after the termination of the credit period. When credit men and women come to a full realization of the potentialities of their place in the business world, and have developed themselves to more completely fulfill their function, the credit department will receive its just recognition.

Not only will they be skilled in discovering and interpreting facts in regard to the three C's—character, capacity, and capital—but will become an authority for their organization in the field of analyzing, interpreting, and forecasting business and business conditions. In a sense, therefore, the credit man is destined to serve as the economist for his concern. Management can be expected to grow in its appreciation of the importance of the credit man, but let us not forget that the office itself does not make the man important, but rather it is the man who makes the office important.

Apart from yourselves as credit granters, management on the one hand must support and protect a sound credit policy. The buying public, on the other hand, must be shown the wisdom of establishing and properly using credit. This is a vital job for all of us; and you who are employed in granting credit to customers—whether it be the credit manager, the authorizer, the interviewer, or the owner-manager of the small store, who is all these in one—must take individual responsibility for the accomplishment of these objectives. In the light of the future expansion of our economy, this can be a most gratifying experience.

Before leaving the question of the role of the credit executive I wish to lay stress on a point that is so frequently overlooked. In place of treating the administration of credit with an inflexible and purely financial attitude, credit executives should realize that they too are salesmen—selling the reputation of the house as the best place to do business. The credit buyer more than ever is particular about knowing the reputation of the seller to whom he gives his business. We should remember that the arrangement of credit is no longer all in favor of the seller, with the buyer at a disadvantage.

Timidity on the part of the customer to seek credit is natural. Do you remember your nervousness when you first talked to a banker about the possibility of a loan? The same thing happens in some measure to the person who buys on time. Three out of four persons have some degree of reluctance about raising the question of buying on the instalment plan. The salesman can do much to inform the prospective customer about the availability of credit terms, but how much more at ease will he be made to feel when the credit executive carefully but pleasantly explains that terms are available if the prospect so desires.

Collection is fundamentally a matter of salesmanship and that is the selling of the consumer on the idea of paying promptly. Good customer relations cease to exist when aggressive collection problems come into being or customers are not pleased. How many times is the good will, so carefully built up by a concern, dragged down through the tenacious and overbearing attitude of the credit department?

I do not in any way wish to detract from, or minimize, the fundamental rules of a sound credit policy. It is not salesmanship to let some pay as they please, name their own terms, or be granted concessions. There are, how-

ever, exceptions to all rules and cases arise where consideration should be given. These cases must be judged on their own merits. The granting of special terms and allowances to irate customers by way of appeasement is a dangerous practice and, although it may appear tempting, must be strictly guarded against.

As for the fundamental rules to be applied in the sound use of credit, I must assume that I would not be telling you anything that you do not know if I were to review them in detail. I cannot resist, however, one or two points which warrant particular mention. These points are more directly the concern of management. In a common-sense credit program, regardless of the manner in which the selection is made of the credit manager or person delegated to be responsible for the extension of credit and collection of past-due accounts, the decision of that person on credit matters should be final.

The second point involves the question of instalment terms. It is recognized that, as a practical matter, certain suggested down payments and terms must be provided to the sales force, but it certainly does not follow that any suggested minimum down payment or maximum terms should become the standard. There are some reasonable bounds within which one should stay, but this can largely be determined by the customer's credit standing.

Some financial institutions have openly advocated long terms in order to secure for themselves higher finance charges. This is most unfair to the customer and unsound for the industry. For the long-term good of everybody, the customer should not be required to pay for any more credit than he actually needs, nor should the finance contract be depended upon to produce the element of profit rather than the product itself.

How does working capital affect the working capital position of a business? Working capital is represented in the funds available to a business for the carrying on of its daily operations. It is the turnover of these funds that produces the profit element; and by turnover I mean the rate at which the merchandise is bought and sold, transformed into accounts receivable, collected and put in the bank to be used again to buy more merchandise which can be sold, converted into accounts receivable and so on back to cash again. We are accustomed to the calculation of inventory turnover and are ready to admit that merchandise which merely rests on the shelves and does not move is tying up the capital dollars of the concern.

We do not as *quickly* realize, however, that accounts receivable which rest in the books beyond the normal period allowed also tie up the funds which have been provided for the day-to-day operating needs of the business. This is commonly referred to as frozen capital, but I like to call it "lazy money." After all, it is as though the retailer, or any owner of a business for that matter, actually handed the customer the dollars of his capital which are represented in the past-due account, and these dollars are part of his operating requirements. Thus, the existence of past-due accounts *can so easily* restrict the retailer's ability to buy new merchandise which he must sell in volume today to realize a profit.

There is nothing more vital to the successful operation of a business in today's market than the proper distribution of working capital between the respective working assets, namely, cash, accounts receivable, and inventories. Perhaps this point can be more readily appreciated if we compare working capital to the lifeblood of the business. Any constriction of the circulation of this lifeblood, just as in the case of human beings, can have a crippling effect, sometimes proving fatal.

The administration of the credit program in accordance with its intended policies plays a vital role in the over-all management of a business under today's competitive conditions. I cannot overemphasize the importance of aging of accounts receivable regularly. This helps to spot the slow accounts and the pyramiding accounts so that prompt action can be taken. Likewise, watching the turnover ratio will tell whether the normal term of credit is being observed.

Basically there is nothing more important in the extension of credit now, tomorrow, or yesterday, than the individual's credit reputation. Time after time we have all shared the truly delightful business experience of extending credit to a person in whom we had faith and in seeing him discharge his responsibility precisely as agreed. We have but to look for past paying habits, stable employment, and the same sense of moral responsibility that can so easily be read from the applicant's credit statement. Collateral is important, but no collateral as yet has ever supplanted the desire and willingness to pay.

Once again I say that consumer credit will continue to be of increasing importance in the distribution of the products we now make and those yet to come. This will require a revival of intelligent salesmanship, but above all we need efficiency in the management not only of operations but of capital in a business enterprise in today's market.

It has been said that we need a revival of enthusiasm, a renewal of ambition and an increased sense of responsibility on the part of all men and women in all walks of life. The contribution which the work of your association can make toward this objective through the education of the customer, is truly great. The consumer benefits from being educated to pay promptly because this habit keeps him in a sound financial condition, prevents worry, makes him a better worker and a happier individual.

★★★

Credit, Its Evolution and Romance Through the Ages

Donald M. Messer
***Vice President and Treasurer,* Dohrmann Commercial Company, San Francisco, Calif.**
***Immediate Past President,* National Association of Credit Men**

(An address given at the 40th Annual International Consumer Credit Conference, San Francisco, California, July 22, 1954)

ON MAY 17, 1954, I had the privilege of presiding at the opening and closing sessions of the 58th annual credit conference of the National Association of Credit Men meeting in San Francisco here at the Fairmont Hotel. This organization, as most of you know, is comparable to that segment of your conference, the National Retail Credit Association.

In talking with your genial president, Henry Alexander, and your General Manager-Treasurer, L. S. Crowder, we all agreed that the aims and objectives of the two organizations were generally the same and that if we could not claim a brother or sister relationship we were at least first cousins.

Both organizations have made a signal contribution to the American business scene. In the field of legislation both organizations have played a prominent part in formulating laws beneficial to ethical business practices. Only as late as the Fall of 1953 representatives of our wholesalers' association met with the judiciary committees of the House and Senate to discuss certain objectionable features of the proposed Langer Amendments to the National Bankruptcy Act and were successful in obtaining additional time to present our views of some of the objectionable features of the proposed amendments, which will unquestionably result beneficially to business interests.

Both organizations have recognized the value of education and have made possible advanced study in the field of credit and finance. Some eight years ago we established, at Dartmouth, our postgraduate school of credit and financial management to serve our members in the eastern section of the country. Three years ago a similar school was started at Stanford University and I had the privilege of attending the graduating exercises of the first class completing the prescribed curriculum of a three-year course of study. Such opportunities did not exist 25 years ago and unquestionably it is because of organizations such as yours and ours that this opportunity has been made possible.

That we may differ with respect to values is a healthy sign and indicative of a desire to work together. I am reminded of the story of the small boy who found himself the owner of two dogs. After a family consultation it was decided that he would have to part with one of them. His father suggested, to instill an idea of thrift in his young son, that he might sell one of the dogs. The boy, accordingly, procured a sign with the words "For Sale" on it and hung it around the neck of the dog. A friendly neighbor, meeting Jack with the dog, said, "I see, Jack, you want to sell your dog." "Yes," the boy replied. "What are you asking for him?" Jack replied, "5,000 dollars." Whereupon the neighbor said, "Isn't that a pretty high price?" "Yes," Jack replied, "but he is a very fine dog." Several weeks later they met again, whereupon the neighbor said, "Tell me, Jack, were you successful in selling your dog?" "Yes," he replied. "And did you get your price for it?" "Well, yes I did, I traded it for two $2,500 cats." Values are only relative but when two organizations with a combined membership of almost 75,000 business firms, either corporations, partnerships or individuals, unite in a common objective they cannot help but be successful.

In talking with President Alexander, he consented to appear before our 59th annual credit conference meeting in Chicago in May 1955 and to present the views of what the retailer has a right to expect from the wholesaler in furthering a sound credit structure. While I am somewhat in the light of a minister without portfolio, I assured him and also Mr. Crowder that I was a committee of one to bring this about. My subject appears under the heading "Credit, Its Evolution and Romance Through the Ages." There are doubtless in the audience some of you who at various times wear different hats. It is, therefore, quite possible that those in this category may have heard this same talk I gave before the Credit Managers' Association of Northern and Central California at their annual meeting in April 1954. If so, I highly recommend that they procure a copy of *Life* or the *New Yorker* for the week of July 19, 1954, and relax and enjoy themselves.

The Evolution of Credit

For more years than I care to mention, I have been associated with credit in the mercantile world. On many different occasions I have been asked the question by the younger generation entering business, "Would you if you had it to do over again select credit and finance as a profession?" This question has invariably been followed by a second question: "Does the credit executive command the same stature and comparable recognition in the business world, particularly as relating to compensation, as the sales executive?" In many cases I have made the suggestion to the inquirer that if he was dissatisfied and had misgivings in pursuing a career in credit, he transfer to the sales side of the business. I have often noted that he has seldom made the change. All of this has led me to the point of thinking seriously on credit, how it originated, and how history has recorded it. Therefore, I want to try and trace its evolution and determine its impact upon history and the civilization of mankind.

First, let us consider a few things pertaining to money and our money economy. The concept of credit logically is quite different from the concept of money. Credit and credit operation may be carried on even though money itself is not the medium of exchange. However, in our

modern economy credit and money are so closely interwoven that each is indispensable to the other. Therefore, in talking about the history of credit one must stress and outline first the development of money as a medium of exchange and as a standard of economic value.

If we go back to primitive times before the metals were in use as money, we find that exchanging of goods was already taking place. In modern times appearance of exchange seems simple, because we are accustomed to find practically all of our needs ready-made in the market, the store, or even the drugstore. Commodities of all kinds are obtainable for money. Primitive man was not accustomed to thinking in terms of price, money, or credit. In the earliest times commodities were exchanged by the bargaining of one commodity against the other. We find the man who possesses sheep exchanges them with the man who possesses oxen. The grower of corn exchanges his crop with the owner of hides. However, in order to avoid the inconvenience of barter, man devised the use of money. History shows that at different times, and among different people, there was a great variety of commodities used as money.

The inhabitants of the Pacific Islands made use of shells. The American Indian devised the use of wampum belts. These consisted of black and white shells rubbed down, polished and made into beads. They were then strung into belts or necklaces, which were valued according to their length, color and luster. Other commodities were used for money, such as salt, hides, pearls, hogs and cattle.

However, from the earliest times gold and silver appeared to have been used for the settlement of daily life. Thus in Genesis 13:2, Abraham is said to have been very rich in cattle, in silver, and in gold. In the account of his purchase of the Cave of Machpelah it is stated that "Abraham weighed to Ephron the silver which he had named in the audience of the sons of Heth, four hundred shekels of silver current with the merchants."

It is interesting to note the derivation of the English word "Fee," which comes from the old English "Feoh" which means cattle. This parallels the Indian word "Rupee" from "Rupa" also meaning cattle, and the German word "Vich" meaning cattle. In the northern countries which were not frequented by cattle, furs were adopted as a medium of exchange.

The Basis For Our Monetary System

With the growth of civilization the precious metals, such as gold and silver, are almost exclusively used as the basis of our monetary system. It is clear, however, that with the growth of money as the medium of exchange, and at the same time as a standard of value, we begin to get our first concept of credit and its origin. We may, therefore, say that the institution of credit comes from the optimistic trait of "Man's confidence in man" and his desire to satisfy his present needs by giving him what he desires now for his promise to pay in the future.

In tracing the origin and evolution of credit it has been customary to start with the Romans and assume that they were the creators of the first system of credit in all of its branches. However, credit was known and exercised long before the Roman period. In the earliest times whenever merchants traded across either deserts or seas, they tried to save the risk of robbery or of shipwreck by devising a means of avoiding the transfer of valuable metals. This gives us the first trace of what today we term the "Bill of Exchange." There is historical evidence that as early as ten centuries B.C., the Babylonians were using a rude form of the "Bill of Exchange." This was written on wet clay and afterward baked like a tile. By this bill the creditor merchant directed his debtor merchant, living in a distant place, to pay a third party to whom the first merchant was indebted.

Among the Babylonians and the Assyrians about 1300 B.C. the records show loans were made upon various kinds of security, such as mortgages, advance deposits, and even trusts. The Assyrians developed rich and powerful commercial houses, performing many of the services of modern banking. They are credited with building the foundations of commercial law and credit customs, which the Greeks later used as the foundation of their own banking. The early formula developed by the Greeks in banking and credit institutions was inherited by the Romans. The methodical and businesslike habits of the Romans, their development of bookkeeping and their widespread use of writing in that period led to a definite development of the idea of credit in both legal and economic aspects. The Roman courts and Roman lawyers were the first to present an elaborate and logical theory of credit, while the large Roman market proved to be the best place for the development of credit practices. Credit was so common in the time of Cicero that history records that he financed his son's study in Athens by a letter drawn on a money changer in that city.

Business Conducted Through Use of Credit Bills

After the fall of the Roman Empire and during the following centuries of chaos and disorder, credit and credit bills were widely used to overcome the dangers and the difficulties of transferring money through an unorganized trading area, business being largely carried on through credit bills. This was particularly true in the centers of economic activities in the prosperous Italian cities. These bills were in common use as early as 1170. Hamburg was authorized to deal in bills in 1189; a statute of Avignon in 1245 recognized the trade in bills. The pilgrimages of the Crusades added considerable impetus to the use of bills as early as 1200.

Medieval economic life made constant use of credit. An unbroken series of sales on credit stretched from the English woolgrower to the Polish purchaser of Flemish cloth. The English woolgrower would sell on credit his wool to the English merchant. In turn the English merchant would sell on credit the wool to the Flemish cloth manufacturer, and he, in turn, would sell his finished cloth to the Polish or Italian distributor, etc. Cash on delivery was relatively rare.

The Celys, who were an average 15th century firm, sold wool on credit in 11 out of every 12 transactions. These were recorded in their books of accounts which testified to the fact that the Celys never had much ready money on hand and that most of the firm's capital consisted of wool not fully paid for and of debts owing to them. Thus the state of Celys' account in the winter of 1482 was as follows:

50 lbs. in cash
200 lbs. in goods
660 lbs. in debts maturing in May, and

NOTICE

To Local Association Secretaries:

It is frequently advisable to communicate with the President and Secretary of Local Associations. This information is missing in many instances.

Will you please forward us the names of the Officers and Directors of your Association, together with the name of the firm and address. We should also like the month in which your annual meetings are held.

235 lbs. in current debts.

Lending and borrowing or buying on credit was widespread and the debtor-creditor relationship found in all classes from peasants to nobles, and even as high as the Pope. The loans were of all kinds, short, medium and of long term. There were loans for food, cloth or luxuries and even to finance trade and production and manufacturing. The needs of the borrowers were taken care of by both amateur and professional moneylenders. The amateur entrusted his spare money to merchants, moneychangers, banks, craftsmen, and even to the peasants. Monasteries and the Bishops lent their surplus money to nobles and peasants. As security they took a mortgage on land, and if the debtor defaulted they foreclosed. This added greatly to church properties. In the smaller villages the priests sometimes made loans and in towns traders advanced money or material to craftsmen on credit.

Lending Money on the Security of Personal Property

Other professions, such as pawnbrokers, carried on business with people in all walks of life, lending money on the security of personal property, jewelry, furniture, clothes, or craftsmen's tools. Historians record a large volume of medieval credit which was the basis of trade upon which agriculture and manufacturing were dependent to a large extent. The firm of Lynn in the year 1424 showed that it had 1000 lbs. in coin, 810 lbs. in merchandise, 3000 lbs. in debts, and owed to its wool growers 1700 lbs.

I have referred to romance in the evolution of credit: What small boy or girl did not thrill to the picture of Queen Isabella pawning her jewels to finance Christopher Columbus as he set sail on his voyage which led to the discovery of the Western world?

One of the most important factors in business during this time was the development of the partnership. It was an active business organization. Through this means, two or more men would pool their efforts and their capital together. In many instances partners were related by blood or marriage, and carried on their enterprises together. Most of the big organizations of the Middle Ages were partnerships. For example the great Florentine firm of Bardi had 15 partners, 10 of whom were members of the Bardi family. Five of the partners were located in England, four were in France, and six in Flanders. Loans and credit were easily obtainable under the guise of a participation in a partnership.

Another form of investment and credit as differentiated between a loan or a partnership was termed the "Sea Loan." This was very prevalent in Italy. In the "Sea Loan" the capitalist advanced his money to a merchant. If the voyage was a success he got his money back plus a 20 per cent to 30 per cent bonus. If the ship was lost at sea the creditor lost his money. Thus through the "Sea Loan" the trading merchant could share his risk with the capitalist and thus the "Sea Loan" assumed the form not only of credit but of insurance as well. From this practice we have the beginnings of our vast insurance business. Underwriting, from which marine insurance was developed, came into existence after A.D. 1500. In underwriting, a merchant drew up a description of the venture which he planned; he invited wealthy persons to share the risk with him. They wrote their names on the document, agreeing to bear the risk up to a given sum. If the venture succeeded they received a bonus. If it failed they lost part or all of the sum they had set down. Our Shakespearean Bard of Avon records the importance of the "Sea Loan" in his delightful comedy "The Merchant of Venice."

Another variety of credit transactions was termed the "Fair Letter," developed at the fairs, especially those of Champaigne in the 13th century. As the fairs were held at certain times of the year, and as many of the merchants attended them regularly, it was only natural that they should become centers of trading areas, involving credit transactions. Mr. Brown, a merchant, might wish to buy goods from Mr. Smith. Brown was short of cash but would have money when he sold the goods he had brought with him to the fair. He would therefore say to Smith: "Sell me these goods now and I will pay you before the end of the fair or at the beginning of the next fair." This would give him time to take the goods back home and sell them. If Brown did not know Smith, then a third party, the money-changer, would give Brown a credit with which to buy Smith's goods. Brown would then sign a promissory note to pay at the time of the next fair.

The century and a half following the discovery of America provided great opportunities for the growth of capitalism. While the various fundamentals of acquiring capital had been developed in the earlier period they had been somewhat restricted by tradition and by the limited opportunities of a self-contained Europe. A new era of expansion proved a great stimulus to capital. The influx of precious metals influenced the rise of a money economy, which, in turn, made possible the accumulation of large stocks of gold which became the basis of capital.

Improved Methods in Handling Money

The businessmen of the 16th and early 17th centuries not only had more money but they gradually improved the methods of handling. The use of credit increased, the techniques of capitalism were perfected. Bills of exchange were more widely used and were gradually enlarged to encompass local and foreign trade as well. We now see the developments of endorsing bills which was common in both Italy and France after 1550. There was also the gradual growth in the 16th century of the use of promissory notes made payable to the bearer. Thus, through the use of the negotiable instrument, credit and credit practices increased and helped the merchant to do business in distant cities and countries. The negotiability of credit instruments added greatly to the importance and the prestige of the people who dealt in them, particularly the private bankers.

In the period before 1640, most of the banking operations of Europe were carried on as they had been in the Middle Ages, by private banks, but we now find changes taking place: the German, French, Dutch, and even the English bankers were surpassing the Italians in importance, and we also find that cities had replaced fairs as banking centers. While banking was still considered with commerce, the tendency to specialize was growing and we now find some firms found it to their advantage to drop their trade connections and to devote themselves exclusively to banking or finance. The relationship between government financing and banking, which dates back to the Middle Ages, became more significant in the 16th century. Towns and principalities began to borrow money for their various needs through the help afforded them by large banking firms.

By far the most important financial institution founded within this period was the Bank of England in 1694. There was already in existence the Banks of Amsterdam, Hamburg, and Venice. In 1688 Parliament deposed James and placed a Dutchman, William, on the throne. And in 1689 England was again at war with France. Immediately the problems of war finance became acute and different suggestions were made for solving them. One of these was made by William Peterson, a Scot, who had been in America but was now a large London dealer in colonial products. He suggested that the government should borrow a million pounds in perpetuity at six per cent and give the lenders the right to establish a bank. Parliament liked the idea of a loan which would never have to be repaid, and in 1694 passed a law providing that the recompense and advantages to any group that provided £1,200,000 to bear eight per cent interest and permission to incorporate itself as the Bank of England. The capital was subscribed in 12 days. By 1760 the original loan had multiplied by ten times as the result of wars, but the interest rate had fallen to three per cent. The Bank of England, with its public functions, gradually developed services encompassing the needs of English commerce. It dealt in bullion, discounted bills, it loaned money to the East India Company, the South Sea Company, and other trading organizations, while its notes of issue became an important addition to the country's currency. The importance of the Bank of England lies in the fact that for the first time it united all the banking functions, such as deposit, transfer, credit and issue, combined in one institution. By the end of the 18th century it was well entrenched, and had survived many crises and many rival banking schemes. The Bank of England had many devoted friends, notably William Loundes, Secretary of the Treasury, 1695 to 1724, and later the great Whig minister, Robert Walpole, 1721-1742.

The abuses of private banking of the 16th century led to a great demand for public banks. History shows the Bank of "The Rialto" of Venice was established as early as 1587 and allowed to accept deposits and transfer money but was forbidden to make loans. Amsterdam organized a public bank for deposit and transfer in 1609. These banks performed a significant service, providing a safe place for deposits and making it easy for customers to transfer money to each other. They facilitated the handling and payment of bills of exchange as well as establishing a bank currency. It was through the development of public banks that credit was made the basis of economic developments which changed not only the history of Europe but likewise the history of the world.

Influence of Stock Exchanges on Credit

Paralleling the development of public banking, one should note the influence of stock exchanges on credit institutions. Stock exchanges attracted wide attention for the financier for they contained the possibilities of credit speculation. Public loans are recorded through this period, particularly as related to the development of canal and railway transportation. Here for the first time we find the issuance of stocks available in the market. England and Scotland had over 140 joint stock companies at the end of the 17th century, with a total capital of over £5,000,000 sterling. Nearly 75 per cent of this capital belonged to the East India Company, Hudson's Bay Company, The Bank of England and the New River Company.

In contrast with England and France, North America was a new and poor country, lacking in wealth to invest in a world commerce. However, the American colonist drew his ideas from the European society and in early times his views of credit were largely those of the Mother

country. By the time of the American Revolution our system of coinage had become very complicated. Besides the English system in which most accounts were kept, trade with the West Indies and even with Europe had brought in the Spanish and Mexican dollars which formed the chief silver unit of trade in the colonies. It, therefore, became necessary to fix some relation between the shilling and the dollar.

The first issues of paper money in the colonies came about because of the need for extraordinary revenue arising from war expenditures. The first regularly authorized issue of record was put out by Massachusetts in 1690 to help pay the expenditures of a military expedition against Canada. Unpaid soldiers at that time refused to wait for taxes to be collected and gave evidence of mutiny. We next find that South Carolina in 1703 issued notes to meet the outlay involved by the attack on the Spaniards.

First Authorized Public Loan Bank

The first authorized public loan bank was started in South Carolina in 1712 and became so popular that similar banks were formed by other colonies, principally to take care of local credit problems. Treasury bills were issued in the form of promissory notes by provincial treasurers where funds were lacking, but they proved to be very impractical. From the description of colonial currency it is clear that the colonies were forced to deal in a circulating medium that was not sufficient or satisfactory. However, the point of interest in following the evolution of credit is that these colonies in a loose confederation, without preparation for war, with no arms or ammunition, with an empty treasury, without an organized revenue or system of taxation, without a common monetary system, and with a government so weak that it could not borrow by bonds, in a blundering way carried on the Revolutionary War by credit through forced loans and the issue of bills of credit.

Our first United States Bank was Hamilton's idea; however, it was not an altogether new thought. As early as the 17th century there had been some sporadic attempts in the colonies to establish rudimentary banks on the part of certain people. As early as 1722 Pennsylvania created a public loan bank, which was of great assistance in stopping unregulated note issues. In 1781 Robert Morris induced Congress to incorporate the Bank of North America at Philadelphia with a capital of $10,000,000.

After our independence had been obtained, for more than a quarter of a century our economic life was influenced by trying and uncertain conditions. The Napoleanic Wars influenced our economic history, which had a direct bearing on our credit institutions. I have previously referred to the establishment of the United States Bank, which was followed by the establishment of the United States Mint, 1792. The Bank offered great facilities both to the government and to private business. The Mint Act created a mint for the coining of gold, silver, and copper. The system adopted was a bi-metallic one with free coinage of gold and silver, at a ratio of 15 silver to one of gold.

With the ending of the War of 1812 the United States entered upon a new era in its economic development. The settlement of the West became the dominant factor in the economic, political and social life of the nation. With this growth came the problem of securing credit facilities to go with the vast expansion of this westward march. The period was not without some costly inflationary financing. It was not until the Civil War with its heavy burden of financial requirements that our national banking system came into existence. Secretary Chase, recognizing the evils of the state banking problems, suggested the national banking system to Congress in 1862. It was after the Civil War that our nation embarked on its amazing and rapid developments of our American economy. The further opening of the West, the building of railroads, new inventions, the mass production system, better means of communication, the development of a huge national market, the driving power of scientific progress, and, above all else, the driving force and the spirit of private enterprise were the dominant factors in the growth of our country. Paralleling these developments came further advantages of credit, credit institutions which played a very prominent part on our economic stage.

The importance of credit and the part which it has played in the economic development in the world during the past 100 years must be understood in analyzing some of the causes of the peaks and valleys in the graph of credit, from 1860 to 1954. Immediately following the Civil War there was a moderate degree of prosperity which was of short duration. A downward trend followed up to 1871, at which time business activities took on a high degree of prosperity which seemed prevalent throughout the country. However, an outbreak of panic in September of 1873 took the business community by surprise. The failure of many small businesses culminated in the failure of J. Cooke & Company which was overextended in the financing of the Northern Pacific Railway. Chaotic conditions followed; pig iron, the barometer of business, fell in price from $42.00 to $24.00 a ton, within the year. After the bottom was reached in 1879, recovery was rather slow for a period of ten years. It was not until after 1896 that American business entered on a long life of prosperity and progress. The economic system of the United States at the beginning of the 20th century might be compared to a young giant who had passed his adolescence and become a grown man but did not yet appreciate his own strength.

Growth of American Business

America in the decade of the 20's was inspired by self-confidence. The year 1920 began with an industrial boom. Before the middle of the year the country had turned toward a sharp but short-lived depression. With recovery in 1922-23, there began a period of the greatest industrial production we had ever known. The years from 1922 to 1929 have been recorded as the "Golden Twenties." They were years of general and rising prosperity with the exception of the field of agriculture.

New plants sprang up which were models of productive proficiency. The value of the industrial production rose every year during this decade. By 1929 the rate of

automobile production was double what it had been in 1919. This was paralleled by the growth of the steel industry, petroleum refining, tire manufacturing, road building and construction. Calvin Coolidge neatly summed up the spirit of the times when he said in 1925, "The business of America is business." But the decade came to an abrupt end in a deep gloom following the stock market crash in 1929. America entered the 30's with glorious memories but unfortunately they were only memories. It was during the early 30's that some 8,000 banks failed and more than $5,000,000,000 of deposits were lost. However, in trying to properly evaluate the attainments and the performance of our American economy it may truly be said that whatever our attainments may be they are deeply indebted to the basic function of credit as the means of bridging the time and the space between the gaps in our business and economic world. Our economy is not only a money economy but it is likewise a credit economy and its miraculous performance is an everlasting testimony to the debt our American civilization owes to the credit idea and our credit institutions.

Many of our seasoned credit executives today began their apprenticeship in the field of credit and finance in the decade of the 1930's. Those of us who had the experience, or, shall I say, the opportunity to live through these trying, but none the less interesting, years came to know and realize the great dangers and pitfalls in a regulated economy.

It is perhaps not amiss to comment briefly on the reforms of our National Banking Act which became written into our laws during the Wilson administration, December 23, 1913. This date saw the passing of the Federal Reserve Act. For many years prior to this time proposals had been made to bring about certain reforms in the banking and monetary structure of the country. The most notable of these was the Aldrich Plan which provided for a national reserve association located in Washington, D. C., and to be capitalized at $3,000,000,000. However, this plan was defeated in Congress in 1912, though the reform issue itself became a controversial plank in both party platforms in the national elections taking place that year.

The structure of the Federal Reserve System represents a compromise of the varying opinions as to the appropriate degree of control and centralization in our banking system. Briefly it consists of five agencies:

1. The Board of Governors.
2. The Federal Open Market Committee.
3. The Federal Advisory Council.
4. The Federal Reserve Banks and Their Branches.
5. Member Banks of the Federal Reserve System.

Objectives of the Federal Reserve System

The act has been amended on numerous occasions, the most important amendment relating to the Banking Act of August, 1935, which eliminated the distinction between commercial and investment credit. Over the years the Federal Reserve System has created a broader objective and has been a great help in trying to curb inflations and deflations in an effort to create conditions favorable to high level employment, stable values and an increased consumption. (By open market operation, I mean changes in the discount rate, etc.) The functioning of our Federal Reserve System proved to be a great benefit in bringing the country back to more nearly normal business conditions prior to the outbreak of World War II.

I have referred to the basic functions of credit as the means by which the gaps in our business and economic world were held together during periods of crisis. I want to illustrate this point by referring to the creation of the Reconstruction Finance Corporation in January 1932 for the purpose of assisting both railroads and banks and to also provide aid for the financing of agriculture, commerce and industry, so severely hit by the depression. A capitalization of $500,000,000 was provided by the government with a supervisory board of seven members composed of the Secretary of the Treasury, the Chairman of the Federal Reserve Board and the farm loan commissioner acting ex officio. It is interesting to note that the R.F.C. came into existence under very critical conditions, a good deal in the light of the apex of a triangle with the idea that the benefit would permeate down to the common man who supported the base of the triangle. By the end of the year 1932, over one and one-half billion dollars had been loaned, in the majority of the cases going to banks and railroads.

The Part of Credit in Our Expanding Economy

It has been during the last quarter of this century that consumer credit has played such a large part in our expanding and dynamic changing economy. That it has made a great contribution to American business and at the same time raised the standard of living in the country, no one can deny. If at times it has been subject to certain abuses it nevertheless has made possible the vast distribution of motor vehicles and living appliances generally recognized by today's standards as necessities of life.

It is an American trait to view the future with optimism and if the credit executive has been accused at times of looking on the darker side, it is time to pause for a moment and re-evaluate the great contribution which credit has made down through the ages to our present-day economy. No well-operated company today can afford to discount the vital importance of credit, and he who guides its destiny should be in the backfield on the executive team.

We are living in an era of great projects, great achievements, and strong competition. At such a time each man must be ready to take the part assigned to him. New conditions always demand a variety of talent, a breadth of vision, and a range of adaptation. It was Agassiz, the naturalist, who said, "By the studies of realities, wisdom is built up," and it is upon such a philosophy that the credit executive has earned his place in American business. ★★★

What Is the Most Important Credit Problem for 1955?

WHAT, in your opinion, will be the most important retail credit problem for 1955? Comments of Credit Executives, Credit Bureau Managers and Management will be published in The CREDIT WORLD. Mail your thoughts to the National Retail Credit Association, 375 Jackson Ave., St. Louis 5, Mo., to reach us not later than January 15, 1955.

CREDIT FLASHES

A Rotary File for Bureau Membership Listings

A number of bureaus in Northern California have found that a rotary type file created by James E. Severe, Field Representative of the Retailers Credit Association of San Francisco, San Francisco, California, is the answer to one of the problems of most Bureaus. It is a convenient, quick visual, fast-acting, finger-tip arrangement both in its use and in the adding of additional cards or removing canceled members from the membership roll.

These Roster Files can be made in various sizes to meet the membership listings of most bureaus. Where a bureau's membership is 200 or up to 500, both alphabetical as well as numerical cards designated by white and blue colors may be used on the same rotor. Such a file would have sufficient space to take care of additional listings through incoming new Bureau members.

A slotted card 4″ × 1⅕″ may be purchased at most stationery stores or obtained direct from a manufacturer. The base size of the Roster File is 5½″ × 5½″, consisting of a roller with an arrangement to hold the cards secure. The roller is mounted on metal supports and the flexibility controlled by two wing nuts which control its operation. The files are attractively colored in olive green with metal supports finished in modern crackle gray. The wing nuts are chrome-plated and the file rests on non-skid rubber bumpers.

These files may be ordered from James E. Severe, Retailers Credit Association, 15 Stockton Street, San Francisco, Calif.

Positions Wanted

Young, active credit executive (Australian, married to an American) desires credit or accounting position in the United States, preferably Minneapolis, but interested in any offers. Extensive credit experience: two years Furniture store; three years Petroleum; and for past two years to present, joint Governing Director of Clive-Douglas & Associates, Collection Agents and Credit Reporters. Business experience outline will be sent air mail on request. G. C. Rampling, 36 Erasmus Street, Surrey Hills, E. 10, Melbourne, Australia.

Credit Manager with experience in credit sales and collections. Have handled all types of accounts. Desire connection with progressive store. Married. Excellent references. Box 12542, The Credit World.

Help Wanted

Credit Manager with experience in credit and collection work in retail store to serve as Credit Manager for Arthur's, Inc. (Jewelry, Television and Appliances), 460 "E" Street, San Bernardino, California.

Coming District Meetings

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting at the Hotel New Yorker, New York, New York, February 13, 14, and 15, 1955.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting at the Tutwiler Hotel, Birmingham, Alabama, April 17, 18, 19, and 20, 1955.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Faust Hotel, Rockford, Illinois, February 4, 5, and 6, 1955.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Hotel Fontenelle, Omaha, Nebraska, March 13, 14, and 15, 1955.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Skirvin Hotel, Oklahoma City, Oklahoma, March 13, 14, and 15, 1955.

District Eight (Texas) will hold its annual meeting at the Buccaneer Hotel, Galveston, Texas, May 22, 23, and 24, 1955.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting in Casper, Wyoming, May 8, 9, and 10, 1955.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Alberta, British Columbia and Saskatchewan, Canada) will hold its annual meeting at the Vancouver Hotel, Vancouver, British Columbia, Canada, May 21, 22, 23, and 24, 1955.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the El Tejon Hotel, Bakersfield, California, February 20, 21, 22, and 23, 1955.

For Sale

Credit Bureau and Collection service in a southern Oklahoma city of 25,000. Trade area over 100,000. Located in modern office building. Financing arranged if necessary. Reply stating experience and qualifications. Box 12541, The Credit World.

Steel file cabinets. 1,000 drawers for five-by-eight cards. Shaw Walker No. 1055, 19 inches deep. Buy what you need for $1.00 per drawer. F.O.B. Washington, D. C., The Credit Bureau Inc., P. O. Box 1617, Washington 13, D. C.

Due to ill health will sacrifice the sale of credit bureau in County seat, population approximately 8,500. For further particulars, write P. O. Box 80, Centerville, Iowa.

Seattle Association Awards Scholarship

The second annual Scholarship in Consumer Credit, established by the Retail Credit Association of Seattle, Seattle, Washington, has been awarded to Suzanne Scribner, senior in the College of Business Administration, University of Washington. The scholarship was established in 1953 to promote interest in the field of consumer credit among university students. It is awarded annually to a senior student in Business Administration at the University.

Forty-seven students applied for the $250.00 scholarship which is sufficient to cover tuition and books for a year. Basis for the award is scholarship, participation in student activities, and need, in that order. Preliminary screening of the candidates was done by Professor Harry E. Blythe, who teaches several credit courses at the University, and who has assisted the Seattle Association for the past several years in the planning and execution of its educational program. Final selection of the winner was made by a committee composed of Jack H. Gormley, President, Retail Credit Association of Seattle, Joe E. Moore, Vice President, Perry L. Bourlier, Program Chairman, and Professor Blythe. The picture below shows Mr. Gormley presenting the check to Miss Scribner.

Miss Scribner, this year's winner, has maintained an A grade average in her first three years at the University. She is a member of Beta Gamma Sigma, Business Administration honorary, and is secretary of her sorority, Alpha Omicron Pi. She is on the staff of both the University Daily and Yearbook, and she has supported herself throughout her college career by summer and part-time work. In her freshman year she stated her job objective to be "primarily in the field of credit analysis—particularly in consumer credit work for either a retail organization or a commercial bank."

Publicity, favorable to the Association, has appeared in local newspapers following the award dinner both years. It is but one of the activities of the Seattle Association in the interest of public education. Another, a Pay-Your-Bills-Promptly advertising campaign, began November 17, 1954, and will run weekly in newspapers for about six months.

Marjorie Girton Honored

MARJORIE GIRTON, President, Credit Women's Breakfast Clubs of North America, was honored by the Credit Women's Breakfast Club of Des Moines, Des Moines, Iowa, at a Saturday night mixer and a Sunday brunch, October 30-31, 1954. The climax of the testimonial was an address by Henry C. Alexander, Credit Manager, Belk Brothers, Charlotte, North Carolina, who flew to Des Moines especially for the occasion. From other cities came 63 Breakfast Clubbers. Members of the Des Moines Retail Credit Association heard their President, John Hayes, Credit Manager, Younkers, introduce the speaker. The entire board of the Des Moines Women's Chamber of Commerce attended. Miss Girton is the immediate Past President of that organization.

Mr. and Mrs. Ranald B. Engelbeck were honored guests. Mr. Engelbeck is President and Miss Girton is Secretary-Treasurer of the Queal Corporations. The President of District Nine, Associated Credit Bureaus of America, E. H. Biermann, Manager, Credit Bureau of Des Moines, and Mrs. Biermann were present. Members of Miss Girton's family who attended included her mother, Mrs. J. J. Girton; her sister, Lucille Girton; her sister and brother-in-law, Mr. and Mrs. Walter Neuroth; and her brother and sister-in-law, Mr. and Mrs. Ray Girton.

Charles E. Evans

Charles Ernest Evans, 62, Secretary and Assistant Treasurer, Aug. W. Smith Company, Spartanburg, South Carolina, for 35 years, died October 30, 1954, after an illness of several weeks. Mr. Evans was long active in the business and civic life of the city. He was a past president of the Country Club, the Lions Club, and the Retail Merchants Bureau of the Chamber of Commerce. He was a Shriner, a Mason, and a member and deacon of the First Presbyterian Church. He was also a past president of Spartanburg's first Credit Bureau. A member of the N.R.C.A. since 1937, he was a past president of District Three, and served as a National Director in 1949-1951. He attended all meetings of his district and all our International Consumer Credit Conferences with the exception of the one at San Francisco which he could not attend due to ill health. He is survived by his widow, a daughter, and one grandchild, to whom we extend our deepest sympathy.

"Conferences"

(Beginning on page 5.)

ticipate in these sectional meetings. It is not necessary for them to wait until next year's District meeting but they may keep abreast of conditions, changes in credit procedure, etc., at little cost in time or money. Perhaps they may even be called upon to assist in some tangible way and so through cooperation help to maintain the chain of association so vital at all times.

Much more could be said of the value of this type of meetings. Those mentioned are self-evident and their worth has been proven. We began modestly and through modest beginnings we have progressed. The local association is an integral part of the National and the sectional meetings contribute to the continued success of the District. ★★★

Dairy and Baking

QUESTION

I am fairly new in credit work and my management has told me to step up credit sales promotion. What good ideas can your panel give me?

ANSWERS

Wilson C. Fox, The Babcock Dairy Company, Toledo, Ohio: Your question indicates that the credit manager has had little experience in credit control and it also raises a thought that perhaps business is not as good as it had been, and management conceived the idea that they could get greater volume if they could increase credit sales. In the dairy and baking business this would be one of the first steps toward insolvency. In this business you practically pay cash for the merchandise you process and your inventory turns over daily. For that reason, you cannot have your sales tied up in accounts receivable, thereby reducing your working capital. With a sales department desperate for business and an inexperienced credit manager, the best advice I could give would be to leave this thought with you: *A sale is not made until it is paid for.*

W. E. Menzenwerth, St. Louis Dairy Company, St. Louis, Missouri: We have never campaigned for sales by featuring charge accounts; however, retail dairy sales would be indeed small in volume without the reasonable charge privilege. Keeping charge accounts agreeably paid within terms, a very fascinating, challenging and tremendously important function of all successful sales promotions, is the dairy credit department's major contribution to a "step up" in credit sales promotion.

Harry N. Taylor, Beatrice Foods Company, Tulsa, Oklahoma: We have just recently started on what we think to be the best yet to build sales through the credit department. The customer turnover in retail house-to-house selling averages about 25 per cent each year, or a complete turnover every four years. In order to overcome some of our many "quits" we establish what we call our quit department working under the credit department to obtain the information as to why customers quit. This department is now in the third month of operation and our customers to restart have increased some 200 per cent. We assigned one qualified person assisted by a combined stenographer and file clerk to take over all quits regardless of why they quit. This does not include accounts we have asked to discontinue due to financial difficulties. When a quit is turned in, all records pertaining to the account such as the credit application, the addressograph plate, and the sheet from the current month out of the salesman route book are all turned over to the quit department for their files. Almost all contacts made by the quit department are in the form of a carefully worded letter. The replies to these letters are passed along to the sales department if the quit department thinks it advisable to have the account contacted in person. In most cases the replies state when they wish to have the service started again. Of course, all disputes are taken care of by personal contact. One of the best and oldest credit sales promotion ideas is to keep your accounts current. You can sell the customer when his account is current.

Department, Apparel, and Shoe Stores

QUESTION

Is it desirable for me as a credit manager to make periodic reports to my management on credit and collection operations? If so, what should the report contain and how frequently should I prepare such a report?

ANSWERS

Colonel Franklin Blackstone, Frank and Seder, Pittsburgh, Pennsylvania: It should positively be done. Not alone for the information of the management and the chief executive officer, but it will be advantageous to the store as well as indicate the usefulness of the credit department and the personal interest of the credit manager.

David K. Blair, H. Liebes and Company, San Francisco, California: Monthly reports on credit and collection operations should be made to management. These reports should include the collection ratio for the month, the number of new account applications received, the number of those applications declined, the ratio of credit sales to total sales and a comparison of all of these figures with the same month in the previous year. This is the bare minimum that should be reported. In addition, if an age analysis is made, a summary of that report should also be presented. There are many other statistical reports that could be given to management and should be at any time when the information derived from them is significant. The credit manager should keep

such records at hand so that he is able to develop information that would be needed by management. For example, a sudden rise in the ratio of instalment accounts to total credit sales could be reported, as such a rise would increase the ratio of the outstanding accounts receivable balance to total credit sales thereby presenting to management the problem of diverting more capital to cover the outstanding receivables. A more pertinent example occurred in our own organization recently. A survey of the use relationship between the various types of credit services offered by us revealed a gradual growth in the use of one type of credit service that had not been advertised. This was reported to management. As a result, promotional activities are now being planned, which should result in increased volume in credit sales. Such information is always available to the credit manager. It is his responsibility to gather that information and put it into condensed report form to management so that they, in turn, can use that information to the best advantage for the organization as a whole.

W. C. Goodman, Reynolds-Penland Company, Dallas, Texas: An alert and well-informed management will obtain some type of information on the activity of the credit and collection office from some source, whether vague, distorted, or hearsay, and it is better that the information be accurate and come to them from the proper source. No one is better qualified, or in a better position to supply it, than the credit manager.

Management in most organizations has reached the position through the Sales, Advertising, or Buying Departments with a natural and keen interest in sales and the merchandising of the business. This interest is sharpened, sustained and kept to the fore by simple process of regular reports, sales records, purchase records, inventories, expense accounts, personnel records, etc. Here is the point where many credit managers could grievously err by default or omission. Management needs also to be regularly informed and kept up to date on the activity and progress of the credit and collection office. It is just as important in formulating plans and conclusions as any other type of information connected with the operation of the business. Our negligence or failure in this is not only unfair to management, but actually injures our own position and prestige when we could improve it with a little diligence.

Complete reports on credit and collection department activity *should* be made to management. When? Just as often as your type of business will require. If you are in a year-round business it should be monthly, weekly, or even daily. What? Any activity in your department that would show a trend in your business such as charge and cash sales separately; collection percentage compared with previous month, or year, and with other stores in your city if available; number new accounts; number reactivated accounts; detailed information, including sample of letter or other mailing piece on credit sales promotion; results of each promotion; and any other activity that would affect the policy or operation of the business. How? Any convenient way that will properly and concisely present the facts. Lengthy explanatory reports are tiresome and unnecessary and could defeat their purpose. Just the facts and figures plainly stated and easy to read and understand. Why not make up your own individual form to fit your business and to provide all the information that would interest your management. It could cover the activities for one month, one week, or could be a daily cumulative report that would provide the results of the month at the end of the month. Try it! It will surprise you how much management likes it!

Kenneth Oetzel, Boyd's, St. Louis, Missouri: I really do not believe periodical reports necessarily have to be made to management concerning credit and collection operations. If the previous annual audit shows that the department is in a good healthy state, I believe that is all that is necessary. If, however, trends after the audit has been made show an unfavorable condition, then certainly a report should be made to top management. Perhaps more effort should be made on collections with additional personnel or more detailed reports gotten on new applicants and up-to-date information on any slow accounts. If new acounts show a downward trend, this condition, too, should be brought to management's attention. An alert, hard-driving credit manager would certainly keep top management informed if things changed materially since the last annual audit.

Furniture, Musical Instruments, Electrical Appliances

QUESTION

Is it necessary to ask a customer for the amount of his present instalment indebtedness and the monthly payments he must meet when arranging budget terms with me?

ANSWERS

Alexander Harding, John H. Pray & Sons Co., Boston, Massachusetts: This is a piece of information we should all try to obtain from a customer when establishing a budget account but I venture to say that not one out of ten credit interviewers, and credit managers included, asks a customer for that information. We apparently seem to feel that those are the questions usually asked in a bank or finance company and not in a retail store. Why is it that we do not obtain this information? My personal feeling is that for years we have been striving for a streamlined credit application and now that we have more or less achieved that goal we find ourselves enmeshed in a web of our own making. How many are saying to themselves at this particular point, "If we asked our customers that information they would walk out and go to our nearest competitor where they could get it without having to go through all that." Perhaps the time has come for us to get back to the basic principles of sound credit granting and get that type of information at the expense of a streamlined application. It is something we should do but are not doing. I would like to have the answer to this myself.

Earl E. Paddon, Lammert Furniture Company, St. Louis, Missouri: In years past, before in-

stalment credit began to grow, the necessity for knowing the amount of instalment debt incurred by a customer seeking instalment credit with us was not of major importance, but rather his general paying habit, his over-all responsibility, and a reasonable estimate of his income to determine his ability to finance the monthly payments to be incurred. Today is a different story. With increased incomes the use of instalment credit has become more popular and in dealing with instalment sales today, it is my opinion that in a majority of cases it is not only necessary to accumulate the information that we formerly found to be vital, but to know also the stores with whom the individual had instalment credit, the remaining unpaid balance in each instance, and the amount of payment required each month in liquidating these accounts. Such payments are fixed obligations and assuredly must be taken into consideration as vital features in determining the customer's ability to finance the anticipated purchase.

W. F. Streeter, Boutells, Minneapolis, Minnesota: The three "C's" of credit granting should *always* be of vital importance when opening an account, be it charge or deferred payment. The knowledge of a customer's indebtedness and monthly payments should come to the credit manager, through a good credit report, and not in the course of an interview in a retail establishment. Our interests, when interviewing a credit applicant, should be concentrated on making our prospective customer feel at ease, and while it is essential that a complete application be taken, it is obvious that an interrogation, such as the question implies, would be quite embarrassing. There is a difference between commodity credit and financial credit and it is necessary to know the amount of indebtedness and monthly payments when one is loaning money to a customer. This information is a direct factor, and is also a part of the financial statement that is usually signed in this type of a credit interview. A creditor needing financial aid expects to give a résumé of his financial condition. Commodity credit, being as highly competitive as it is, must depend on a good credit report to analyze and form an opinion on an applicant's character, capital, and capacity to take care of the requirements necessary on deferred payment accounts.

Eldon L. Taylor, Glen Bros. Music Company, Ogden, Utah: It is necessary to ask a customer for the amount of his present instalment indebtedness and the monthly payments he must meet when arranging budget terms if you wish to make up an intelligent budget and expect to have the terms met. Unless you know a customer's income and present commitments, it will be impossible to arrange terms you are sure he should be able to meet successfully on a budget account, and unless the budget is set up properly, so the customer can without doubt meet the terms, it will be of little value to you or to the customer, as a budget account.

Roy E. Teter, Jenkins Music Company, Oklahoma City, Oklahoma: We do the major portion of our credit business in instalments. Due to the type of pianos, major appliances and televisions which we sell, the amounts usually run in the larger brackets. If my customer, from his employment, shows that he would be in the lower brackets, it would be of great help to find out his present instalment indebtedness so that we can measure his ability to take care of these monthly payments. If the customer is in the medium or higher brackets, I do not ask this question, but pass my judgment from the credit report. I want to see how he has been taking care of his accounts in the past. I feel that in these upper brackets they have sufficient income to take care of their obligations if it is their desire to do so. I know if they have not been in the habit of taking care of their accounts in the past that we will have a collection problem on our hands if we accept the sale. I do not believe there can be a hard and fast rule in regard to the question.

W. L. Thornburgh, Jackson's, Oakland, California: Indeed this is vital information and should be obtained in all cases where the interviewer believes the conditions warrant. When the routine information is obtained such as name, wife's name, residence, occupation, dependents, buying or renting, etc., then the information as to where other accounts are active, how much is owing, how much the monthly payments are, especially if the applicant is buying an automobile, is necessary. We do not hesitate to ask for and expect such information. How else can an intelligent opinion be formed if the interviewer detects a weakness in the amount of take-home pay compared to outstanding obligations?

LOCAL ASSOCIATION Activities

Windsor, Ontario, Canada

At the annual meeting of the Credit Granters' Association of Windsor, Windsor, Ontario, Canada, the following officers and directors were elected: President, Lawrence R. Brennan, Webster Motors Ltd.; Vice President, Sidney E. Cowlin, Trans Canada Credit Corp. Ltd.; and Secretary-Treasurer, Hugh M. Beattie, Credit Bureau of Windsor. Directors: Eric J. Reddin, Windsor Lumber Co. Ltd.; Geoffrey E. Cainen, Waddell's Sound & Radio Ltd.; Ernest B. Hassberger, Gitlin's Ltd.; David K. Harrow, Downtown Chevrolet, Oldsmobile Ltd.; and Robert C. Jervis, Canadian Pittsburgh Industries Ltd.

La Jolla, California

The La Jolla Credit Association, La Jolla, Calif., elected the following officers for the ensuing year: President, Hubert M. Coles, Cole's Furniture; Vice President, Gerald C. Crary, Scripps Memorial Hospital; and Secretary-Manager, Amy E. White, La Jolla Credit Association. Directors: Albert L. Grigsby, Bank of America; Paul R. Stevenson, Stevenson's Department Store; Jerry H. Sullivan, La Jolla Lumber Co.; Neil B. Watkins, La Jolla Hardware Co.; and Robert C. Watts, Robert C. Watts Co.

Chicago, Illinois

At the annual meeting of the Retail Credit Association of Cook County, Chicago, Illinois, the following officers and directors were elected: President, Dan E. Moses, Sears, Roebuck & Co.; First Vice President, J. R. Tranker, Socony-Vacuum Oil Co.; Second Vice President, L. C. Burkhardt, Maurice L. Rothschild & Co.; Secretary, C. S. Hobbet, Credit Bureau of Cook County; and Treasurer, Sophye Goldman, I. Miller Salon. Directors: Harry B. Dorfman, Employees Finance Corporation; J. R. Doyle, Bonwit Teller; J. C. Gilliland, Pullman Trust & Savings Bank; Wallis G. Hocker, Chas. A. Stevens & Co.; Mary Kolley, Arrow Petroleum; F. George Kozy, Stylebilt Hilton Clothes; Russell B. Mitchell, The People's Gas, Light & Coke Co.; J. L. Schneeberger, Borden & Co.; Wayne C. Stokes, Marshall Field & Co.; and Gordon R. Worley, Aldens.

Savannah, Georgia

These are the officers and directors of the Associated Retail Credit Managers of Savannah, Savannah, Georgia, for 1954-1955: President, W. A. Page, Savannah Electric & Power Co.; Vice President, Loys Bell, Community Loan & Investment Corp.; Secretary, M. B. Weldon, Merchants Credit Association; and Treasurer, C. B. Gnann, Morris Levy. Directors: Clyde Collins, Stanley Jewelers; Hollis Lawrence, Southern Bell Tel. & Tel. Co.; Mrs. Esther Pruitt, WTOC Radio Station; Mrs. Billie Williams, Collection Service; and George Upchurch, Liberty National Bank & Trust Co.

Colorado Springs, Colorado

The new officers and directors of the Colorado Springs Credit Association, Colorado Springs, Colo., are: President, L. O. Sylvester, Higdon & Sons Motor Co.; Vice President, Lyle Fosler, Colorado Springs Medical Center; Treasurer, John W. Sawyer, Crissey Fowler Lumber Co.; and Secretary, E. Bland Cresap, Credit Bureau of Colorado Springs. Directors: Robert R. Burns, Perkins-Shearer Co.; and Raymond S. Stein, City Utilities.

Nashville, Tennessee

The 1954-1955 Officers and Directors of the Nashville Retail Credit Association, Nashville, Tenn., are: President, Jos. E. Torrence, Cain Sloan Co.; First Vice President, James E. O'Steen, White Trunk & Bag Co.; Second Vice President, H. N. O'Callaghan, First American National Bank; Third Vice President, George L. Marshall, Sherwin Williams Co.; Secretary, Ben C. Nance, Credit Bureau of Nashville; Assistant Secretary, Mary W. Lemmer, Credit Bureau of Nashville; and Treasurer, Joe T. Howell, Jr., Third National Bank. Directors: J. A. Aley, Keith Simmons Co.; Katherine Anderson, Geny Florists; Harvey King, Tennessee Adjustment Service; Murray N. Nicholson, First American National Bank; Allen Tidwell, Nashville Adjustment Bureau; John Bevington, Third National Bank; Jack Fletcher, Merchants Adjustment Bureau; Clara Ward, Liddon Pontiac; J. E. Wells, Jr., H. J. Grimes Co.; Arthur G. Turner, St. Bernard Coal Co.; Ralph Wright, Harvey's Department Store; and Russell B. Davis, Joy Floral Co.

Birmingham, Alabama

The Associated Retail Credit Managers, Birmingham, Ala., elected the following officers and directors for 1954-1955: President, W. V. Beddow, Porter Clothing Co.; First Vice President, J. H. Wise, R. B. Broyles Co.; Second Vice President, F. L. Goodman, Burger-Phillips Co.; Third Vice President, H. C. Gattis, Kessler's Apparel; and Secretary-Treasurer, W. V. Trammell, Merchants' Credit Association. Directors: Elnor Martin, Vaughan-Weil; Mrs. Cherrye C. Branyon, Engel Agency; R. E. DeRussy, Sears, Roebuck & Co.; John L. Guyton, Mutual Savings Credit Union; T. M. Nesbitt, Finance Inc.; W. A. O'Hara, Calder Furniture Co.; Oscar F. Pitts, Jr., Exchange Bank; Henry Porter, Henry Porter Inc.; Eugene G. Schuler, Nelson-Weaver Mortgage Co.; W. E. Spidle, Jobe Rose Jewelry Co.; Mrs. Thelma Thomas, Mazer Lumber & Supply Co.; and Virginia Young, Maring-Crawford Motor Co.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

THIS ISSUE is an appropriate one in which to discuss, in general terms, some of the *personal* qualities that help to make a successful retail credit executive and credit department correspondent.

One of these qualities is *self-reliance.* Credit work is specialized work. Often few other executives in the store or firm understand the complete area and scope of the credit operation. The credit manager must, therefore, develop a strong spirit of *self-help.* The credit executive and credit department correspondent must often proceed on their own convictions without benefit of competent guidance from others. They must chart new courses, create new procedures, and in general, steer their own course. The quality of self-reliance is thus a basic essential in the full development of credit and collection personnel.

Another quality is *courage.* Courage grows out of self-reliance. It means the possession of enough self-confidence to make sound credit and collection decisions, and having made them, to follow through boldly on those decisions. It requires courage many times, for instance, for a credit department correspondent to proceed with a difficult collection matter as he feels he should but on which, however, he knows he might encounter strong customer resistance. This does not mean blustering foolhardiness but an attitude of fearlessness in doing what he feels is the correct thing for him to do.

A third quality is *judgment.* A credit manager needs to have his judgment faculties well-adjusted in order to produce sound decisions. He must have the ability to measure accurately many factors and to weigh them in relation to others to produce the correct decisions that mean successful credit operations. In collection work too, this quality of good judgment is highly necessary. The proper selection of the correct collection procedure to follow under the special circumstances of each case is important. Good judgment is the result of the slow but sure development of critical faculties and careful analysis of each problem.

The fourth quality is *prudence.* The definite hazards inherent in the extension of consumer credit are to be recognized and measured. The *protective* part of retail credit management is an essentially important one. Without the quality of prudence, costly mistakes both in money and customer good will are most likely to occur. This surely applies to collection correspondence too. It might be prudent *not* to send that "final" letter.

The fifth quality is *pliability.* This means the ability to revise an opinion when new facts have been developed that warrant such revision. Some credit executives and credit department correspondents tend to build up sets of ideas and prejudices that changing times have outmoded and made undesirable. Pliability means the flexibility and willingness to recognize new circumstances, as, for example, in the estimate of a person's credit record. Lack of pliability can sometimes lose potentially valuable customers.

The final quality is *optimism.* Without an optimistic attitude to the manifold problems of credit and collection work, the inevitable tendency would be toward undue restriction of credit sales and perhaps institution of far too severe collection pressure in cases where friendly cooperation and faith would bring better results.

All these qualities, among many others, are necessary in a well-balanced combination for successful credit and collection work. All of us should look back over 1954 and measure the degree to which we have exercised these qualities in our daily activities and to resolve in 1955 to develop them more thoroughly.

This Month's Illustrations →

All our letter illustrations this month are from stores and firms in the city of Vancouver, B. C., Canada.

Illustration No. 1. A fine collection letter used by an automobile sales and service company. Note the manner in which the letter begins with the firm's slogan, "Friendly, Complete Service." This spirit of helpful service extends to their collection activities too—and that is always an excellent approach.

Illustration No. 2. Customers like to be told that they are "good news." Such complimentary comments add a constructive note to the letter. The "good news" is set forth in the fourth paragraph and it is that additional purchases may be made on the customer's present account with no additional down payment being required. Mr. Gillespie, Manager of Credit Sales, reports that this credit sales promotion letter has produced outstanding results and many favorable remarks from customers.

Illustration No. 3. While this is not primarily a credit sales promotion letter it is an excellent illustration of the power of imagination and specialized appeal. Gordon Parr Limited sells fine apparel for men. Secured to the letter is a tuft of realistic-looking grass. Members will note appreciatively the clever pun on the name of the owner of the business, Gordon Parr. When letters sparkle with originality as does this one, reader interest is bound to increase.

Illustration No. 4. This letterhead is particularly attractive. Unfortunately, we cannot show it in its true beauty. Three colors are used to make it convey the idea of good things to eat. Every business letter must tell a message and also "sell" the firm sending it. Better business letters, both in appearance and content, mean better public relations.

CHRYSLER AND PLYMOUTH CARS
FARGO TRUCKS

BEGG MOTOR COMPANY LIMITED

1062 WEST GEORGIA STREET, VANCOUVER 5 B.C.

1

Mr. John C. Customer
000 Main Street
Vancouver, B.C., Canada

Dear Mr. Customer:

"Friendly, Complete Service" isn't just a slogan here at Begg's - it is the constant aim of our entire organization.

It is this spirit of friendly service that prompts this reference to the balance of $00.00 on your account, which has been carried considerably beyond the agreed term.

Your check will be appreciated - and it will maintain your excellent credit record. We are sure you will cooperate by mailing settlement on receipt of this letter.

Yours very truly,

H. C. Buker
Credit Manager

THE PIONEER NAME IN B.C. AUTOMOTIVE INDUSTRY

TELEPHONE EMERALD 2221

Sweet 16 LTD
LADIES' READY-TO-WEAR STORES

Head Office
Vancouver 10, B.C.

2

Mrs. John C. Customer
000 Main Street
Vancouver, B.C., Canada

Dear Mrs. Customer:

Every day, newspapers are filled with news - some bad and some good. We are happy to be able to write you about some "good news."

You will be interested to know that YOU are "good news" to us. Your account with us, over a period of time, shows not only a continuous patronage, but a real effort to make regular payments.

There are times when it is difficult, for one reason or another, to keep all payments up to date, but in spite of this, you have built up a record of which you can well be proud.

We want you to know that we consider your account up to date and are pleased to offer you a special credit courtesy - the privilege we offer allows you to add other items to your present account with No Down Payment.

Everything will be done to keep you satisfied and to hold your friendship and good will.

Sincerely yours,

A. B. Gillespie,
Manager of Credit Sales

Gordon Parr Ltd.
FINE APPAREL

VANCOUVER 1, B.C.

CLOTHES

3

For YOU ...

... a tuft of grass from the seventh tee at Capilano. So many golfing wits had been making jokes year after year at the expense of my family name (Parr), I thought I'd better see what this golf game had to offer ...

... I never missed a tuft!

It seemed so untidy to leave so many of them lying about the fairways ... so what more honest solution than to return them to a bona fide golfer.

But you may rest assured that we're "under par" when it comes to style, selection and fittings of men's suits, sports jackets and slacks.

Whether en route for the 9th or the 19th, you'll swing along in style with sportswear from

Gordon Parr

GORDON PARR
West Pender Street

P.S. Drop in one day soon. Our golf talk may not be learned, but the '54 suitings are well worth the visit.

CENTRAL CREAMERIES (B.C.) LIMITED

VANCOUVER 4, B.C.

December 15, 1954

4

Martin Construction Company
Vancouver, B.C., Canada

Attention: Mr. John C. Customer

Dear Sirs:

On our books we have two charges against your company which are relatively small. But our accounting department has been hounding me for weeks to get something done about these two items.

Although I have written repeatedly to your company at Vancouver, we have had no reply.

One item is for only $00.00, represented by our invoice No. 69339 shipped on July 25 on your purchase order No. 9347. Another item is for only $00.00, represented by our invoice No. 50343 shipped on June 12 on your purchase order No. 8823.

Won't you please have someone in your organization with authority to handle these two small charges, review the correspondence. Then won't you please have the two invoices paid or let me know why payment has been withheld. Your cooperation will certainly be appreciated, Mr. Customer.

Sincerely

CENTRAL CREAMERIES (BC) LIMITED

H. D. Burbidge
Manager

Items of Interest From the NATION'S CAPITAL

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Home Modernization Loans: Some FHA Statistics on This Subject: Legal Principles Applicable to Typical Home Improvement Loan Transaction: While the dollar volume of home improvement business is small by comparison to the home construction industry (predicted November 15, 1954, by unusual joint Commerce-Labor Departments report to reach 15 billion dollars of new non-farm homes in 1955), the total number of home improvement loans—and hence contracts between consumers and retail merchants, on the one hand, and between consumers and/or merchants and the finance companies and banks, on the other, is far greater in number of transactions. Some idea of the proportions of the latter, however, is indicated by volume of FHA guaranteed loans. How many FHA home improvement loans will be made in 1955; what is the average size of such loans; how many defaults can be expected and what is the average amount of a defaulted loan at the time the FHA steps in and makes good on its insurance guaranty?

These and many other questions and answers are to be found in the annual report of the Housing and Home Finance Agency, which includes FHA. The latest report is of calendar year 1953 and is a volume of 424 pages that may be procured from the Government Printing Office, Washington 25, D. C., for $1.25. This report states at page 296: "Since the beginning of FHA operations in 1934, over $7.4 billion in privately financed credit has been disbursed to some 16.5 million families and insured under the Title I program (property improvement loans made by qualified lenders). . . . In 1953, for the fourth consecutive year, a new record was established by this program."

Table 61 at page 297 entitled, "Property Improvement Loans Insured and Claims Paid by FHA, 1934-53" supplies the answer to several of the questions posed above:

Year	Loans insured			Claims paid			Cumulative claims paid as percent of cumulative loans insured
	Number	Net proceeds (000)	Average	Number	Amount (000)	Average	
1934-39	2,329,648	$821,332	$353	103,390	$23,888	$231	2.91
1940-44	2,458,920	770,782	313	85,795	25,442	297	3.10
1945-49	5,151,998	2,233,205	433	122,962	41,627	339	2.38
1950	1,447,101	693,761	479	56,446	18,148	322	2.41
1951	1,437,764	707,070	492	35,579	12,086	340	2.32
1952	1,495,741	848,327	567	33,265	11,524	346	2.18
1952*	(1,816,881)	(1,047,358)	—	—	—	—	—
1953	2,244,227	1,334,287	595	37,470	14,995	400	1.99
1953*	(1,832,180)	(1,092,277)	—	—	—	—	—
Total	16,565,399	7,408,765	447	474,907	147,711	311	—

*Estimated.

As a basis for examination of some of the legal principles, what is the typical home improvement loan transaction? Customarily the seller makes arrangements for an FHA-insured loan through a bank or finance company, and the buyer has given his installment promissory note to the seller for the purchase price, cost of installation, and finance charges; and the seller endorses the buyer's note "without recourse" to the bank or finance company.

As a rule the bank or finance company knows from the facts before it that "the note had been given in payment for . . . apparatus installed, or to be installed, and that the seller might later default in its stipulated performance . . . ," as stated in the Hansett case cited below, and sometimes blanks are left for the seller or his agent to fill in (a bad practice, as seen from the Zier case cited below).

A leading case embracing elements referred to above, and which has been cited many times, in *U. S. v. Hansett,* 120 Fed. 2nd, 121 (CCA 2nd, 1941) opinion by Learned Hand, Chase and Frank, Judges, where it was said: "The fact that the endorsee, the Heating and Plumbing Finance Corporation, knew that the note had been given in payment for heating apparatus installed, or to be installed, and that the seller might later default in its stipulated performance was immaterial."

And a memorable paragraph, sustaining the sweep of the negotiable instruments law, said: "We do not share doubts of the applicability of the ordinary law merchant to transactions financed under the National Housing Act; on the contrary, it will promote its purposes to make fluid in the usual way all commercial paper issued by those for whose benefit it was enacted. The fact that in a given instance this may work hardship (we do not suggest that it did here) is not a counterpoise to the added currency which will be so given to such paper, and the added credit to its makers."

The Zier case points to the fact that in order to avoid possible litigation, great care should be exercised by all persons connected with the credit and banking features of the transaction to see that all steps, both of form and substance, are regular and unequivocal. In *Zier et al. v. Eastern Acceptance Corp.,* 61 Atl. 2nd, 106 (Municipal Court of Appeals of the District of Columbia, 1948), appellants, Zier et al., defended a suit by the Acceptance Corporation on the ground that installation of storm windows for which their note was given had not been completed, and that appellee was not a holder in due course. In reversing a trial court-directed verdict for appellee, the court said: "It was conceded that when signed by appellants the note was in blank, that is, that neither the date, amount, name of the payee, due date, nor number and amount of the installments had been filled in. They were filled in later by someone, and the circumstances surrounding the filling in of the blanks

(Turn to "Housing Act," page 31.)

comparative COLLECTION PERCENTAGES

October 1954 vs. October 1953

DISTRICT and CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1954			1953			1954			1953			1954			1953			1954			1953		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Boston, Mass.	—	—	—	44.0	50.1	33.4	—	—	—	22.4	37.6	7.3	—	—	—	—	—	—	—	—	—	—	—	—
Portland, Me.	54.5	55.3	53.7	53.5	53.6	53.4	14.8	16.0	13.6	—	16.6	—	—	—	—	—	—	—	—	—	—	—	—	—
1 Providence, R. I.	48.8	50.1	45.7	50.5	53.1	47.1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	63.1	64.6	61.6	64.5	65.1	63.8	20.4	22.7	18.0	21.2	21.5	20.9	—	61.4	—	—	64.8	—	—	52.0	—	—	52.3	—
Worcester, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2 New York, N. Y.	44.6	54.2	37.5	49.2	56.5	36.0	15.5	21.5	11.1	15.6	22.9	13.5	45.2	48.0	42.4	43.2	45.6	43.0	48.4	48.5	48.3	51.6	53.2	49.9
3 Birmingham, Ala.	41.3	49.2	36.5	42.2	51.0	37.4	15.6	18.1	13.1	15.8	19.1	14.0	44.5	49.4	39.2	42.3	49.2	38.5	47.0	48.9	45.1	52.8	57.6	49.9
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cincinnati, Ohio	—	—	—	55.7	59.1	53.7	—	—	—	16.5	18.3	11.5	—	—	—	55.2	65.4	45.0	—	—	—	—	54.1	—
Cleveland, Ohio	49.8	58.1	43.0	49.8	58.5	40.9	19.3	27.4	18.7	20.3	26.4	14.0	45.6	59.4	33.0	44.2	57.7	33.3	72.1	102.0	45.1	67.2	87.6	50.8
Louisville, Ky.	49.0	57.4	36.8	50.6	58.7	43.7	20.6	27.4	14.8	19.1	26.3	14.4	45.2	46.6	43.8	42.1	44.0	40.3	49.5	56.3	43.0	51.1	58.2	45.1
5 Milwaukee, Wis.	—	—	—	55.7	57.2	54.2	—	—	—	17.3	17.6	17.0	—	—	—	—	79.7	—	—	—	—	58.7	60.0	57.4
Toledo, Ohio	49.6	51.5	49.6	45.8	60.9	32.9	16.9	22.0	13.3	16.7	20.0	14.8	61.1	66.3	55.0	58.5	68.0	49.1	—	44.0	—	—	47.8	—
Youngstown, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6 Minneapolis, Minn.	—	—	—	58.5	69.2	51.0	—	—	—	16.4	19.3	15.0	—	—	—	52.8	63.1	42.5	—	—	—	51.4	58.9	40.8
Omaha, Neb.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7 Kansas City, Mo.	52.1	60.0	51.9	53.5	61.6	42.2	14.2	16.0	6.5	12.8	15.1	8.8	60.5	62.9	52.0	61.2	65.3	57.1	—	—	—	—	—	—
St. Louis, Mo.	55.6	57.7	53.5	58.1	58.7	58.8	20.7	20.9	18.8	20.8	23.6	16.0	53.7	56.4	51.0	46.6	59.3	34.0	49.2	53.1	46.2	51.3	55.5	48.5
8 Dallas, Texas	58.9	59.7	58.1	55.6	56.2	55.1	—	10.3	—	—	9.9	—	49.9	55.0	38.8	52.8	58.7	42.2	54.3	59.5	45.2	57.3	59.8	45.7
Houston, Texas	50.2	54.2	46.3	50.6	51.0	50.2	—	15.4	—	—	13.9	—	46.8	48.2	45.5	51.6	53.6	49.6	—	53.0	—	—	53.0	—
9 Denver, Colo.	50.5	54.0	47.8	52.6	55.4	44.2	18.2	26.8	15.4	17.1	27.2	14.0	51.2	51.9	50.5	53.3	55.4	51.2	51.2	51.9	50.5	53.3	55.4	51.2
Salt Lake City, Utah	60.2	62.4	57.8	59.7	62.2	57.4	19.7	24.4	16.6	20.7	25.5	17.3	—	—	—	—	—	—	49.5	50.1	49.0	52.7	55.0	50.4
10 Spokane, Wash.	56.7	58.1	55.4	67.2	76.5	59.0	25.3	34.6	16.0	28.8	40.6	17.0	—	65.1	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	57.8	65.0	49.8	57.4	68.8	48.7	—	—	—	15.7	16.1	14.9	—	—	—	—	—	—	55.6	67.1	46.7	53.4	71.7	45.5
Oakland, Calif.	58.7	65.5	57.4	60.2	65.7	55.8	15.4	20.1	15.3	16.0	17.5	14.2	57.6	58.5	56.7	60.6	64.6	56.7	—	53.7	—	—	55.0	—
11 Santa Barbara, Calif.	64.1	69.5	59.2	64.3	68.0	60.0	—	—	—	—	—	—	53.5	59.6	47.8	61.7	66.2	57.8	63.4	73.0	49.4	58.2	67.1	47.2
San Francisco, Calif.	56.9	72.6	49.2	59.4	61.8	50.1	15.9	17.4	13.7	17.7	18.8	14.7	48.9	51.9	43.6	46.3	52.8	40.6	45.7	51.6	40.2	48.6	50.2	40.4
San Jose, Calif.	53.3	67.6	51.4	55.5	64.7	49.2	19.3	22.7	15.9	18.8	22.9	14.7	58.7	64.0	53.5	58.2	61.7	54.7	—	—	—	—	—	—
Baltimore, Md.	46.9	55.1	39.0	48.1	53.2	43.6	16.5	21.2	11.6	19.3	30.3	13.7	40.7	49.0	33.3	38.1	44.0	31.1	45.6	55.1	36.2	41.9	45.4	38.4
12 Philadelphia, Pa.	39.9	42.5	37.6	42.3	46.0	39.1	10.3	11.6	9.5	11.3	11.9	10.6	43.5	49.1	31.5	46.0	53.2	43.0	—	—	—	—	—	—
Washington, D. C.	45.7	52.6	43.1	42.4	53.3	35.4	16.1	21.2	13.0	15.1	21.9	12.0	—	—	—	—	—	—	—	—	—	—	—	—

• Figures for September.

Consumer Credit for September

Consumer instalment credit outstanding amounted to an estimated 21,340 million dollars at the end of September, 30 million above the preceding month-end and slightly below a year earlier. The September increase compares with increases of 129 million and 321 million in September of 1953 and 1952, respectively. Changes in each of the four types of instalment credit were small. Automobile paper was up 13 million dollars as a result of a further increase in sales finance company holdings. Other consumer goods paper outstanding declined 6 million dollars, while repair and modernization loans, and personal loans increased 2 million and 21 million, respectively. New extensions of instalment credit in September, estimated at 2,372 million dollars, were 52 million below the preceding month. Repayments of instalment credit were estimated at 2,342 million dollars, slightly below the preceding month. Total short- and intermediate-term consumer credit outstanding amounted to an estimated 28,014 million dollars at the end of September, 82 million above the preceding month and 169 million above a year earlier.—Federal Reserve Board.

Department Store Credit for September

Instalment accounts outstanding at department stores continued upward slightly during September. Balances outstanding at the end of the month were 1 per cent above the August level and 4 per cent above a year ago. Instalment collections amounted to an estimated 13 per cent of first-of-month balances, the same as the preceding month and 1 point below a year earlier. An increase in charge-accounts outstanding, largely seasonal in nature, brought month-end balances to a level about 9 per cent above a month ago and 2 per cent above a year ago. The collection ratio, estimated at 46 per cent, was 1 point above the preceding month and was the same as September of last year. Sales of all types increased from August to September—cash sales by 12 per cent, charge-account sales by 18 per cent, and instalment sales by 10 per cent. Compared with a year ago, cash sales were down 1 per cent while charge-account and instalment sales were up 2 per cent and 6 per cent, respectively. As a result, credit sales this September accounted for a slightly larger percentage of total sales than a year ago.—Federal Reserve Board.

"Firmness . . . . Preferred"

CARL B. FLEMINGTON, F.C.I., F.C.I.S., *Secretary-Manager,* Credit Bureau of Greater Toronto

WE STRESS a motto at the base of our letterhead which reads: "To build a good credit record—pay promptly—it pays." This embodies the true principle of prompt payment in that it reacts to the advantage of the store, the customer and the credit sales department alike. This message, in varied forms, has been adopted generally by credit bureaus and goes far in educating the public in this all-important phase of credit extension. To the store owner, such practice eliminates the necessity of possible customer embarrassment and keeps to a minimum the expense involved in "follow-up" procedure. In the final analysis, the store is primarily interested in volume of sales with maximum expectancy of prompt payment.

Provided a customer is satisfied with the store's policy and merchandise, it should be much easier to educate the customer from the initial transaction to the fact that the store, in return for its services, expects payment promptly. A firm policy applied at the outset is far preferable to an effort to rehabilitate later on.

All accounts should be handled in like manner as favouritism to some is likely to instil a degree of non-confidence. The store should not hesitate to impress upon the customer that the prices and terms are based on adherence to regulations and that non-compliance means added expense and a subsequent mark-up to cover. Most people buy with fair regularity and if an account is allowed to become past due with the possibility of its being closed to further purchases, the result will be that the customer will trade elsewhere. This, naturally, results in loss of trade which, if proper methods had been applied, would have been avoided.

The total amount represented in past-due accounts forms a liability as it means frozen capital on which little or no interest is received. Profit on credit sales is not realized until the accounts receivable are finally converted into cash *promptly.*

The insistence on prompt payment by the store does much to establish the mental well-being of the customer. Laxity in policy contributes in the reverse. Store-customer good will will be enhanced in that the customer will feel a sense of pride in his relations and be freed from the mental agony of being overburdened with debts. It is not serious if one account becomes past due, but it generally follows that this situation spreads to other obligations, culminating in the fact that "capacity to pay" has been exceeded. The longer such a condition exists, the worse it gets and more and more expense is encountered not only by the store but by the individual.

Reflection may also be apparent from a psychological angle. The customer loses sense of pride and achievement and adopts a policy of "robbing Peter to pay Paul" in an effort to survive financially. The inevitable result is that borrowing by means of personal loan with chattel collateral or endorsement becomes necessary in order to satisfy creditors. Compromises which undermine morale are sought, or, in the extreme, outlawry of debt is hoped for and taken advantage of.

Insistence on prompt payment serves a good purpose in the credit sales department in that it builds good will if properly applied. The moral appreciation of a contract is the most valuable in that it is reflected by *character,* the first of the C's in credit operation. Regular settlement of obligations puts the customer in a position to buy when occasion demands and also provides an opening to the credit sales department to solicit further patronage and advise such customers as to special offerings of seasonal merchandise, etc.

The success of a collection program depends to a large extent on the methods employed. Probably no system would produce the same results in all stores but certain fundamentals are necessary. An accurate accounting should be available as to the various steps employed from start to finish as this would provide much valuable data as to expense involved, etc.

Some automatic system should be devised to guarantee regularity in "come up" for attention. This should be arranged in such a way that undue duplication of work is eliminated. All cases of collection follow-up cannot be handled alike. Some may be given attention through means of the telephone, some by letters, while others require personal calls. These various classes may be segregated so as to permit closer attention. Those followed by means of the telephone could be handled much more frequently than those requiring letters and so on.

Indices should be arranged in such sequence that all

Christmas Greetings

SINCERE GREETINGS and all best wishes for Christmas and the New Year to readers of The Credit World *everywhere. May the spirit of tolerance, peace and good will be uppermost in our thoughts and minds and may we all build for a brighter and happier world. It has been a real pleasure to have played a small part in contributing to these columns during 1954. A Merry Christmas and a Happy New Year to all.*

Carl B. Flemington.

current items are together. Those requiring special attention would comprise another file, while any not in either category would comprise a third. This may be termed the "abeyance" file and in this would be placed any cards on which for the present any action is deemed unnecessary.

This division may result from the fact that the person is on relief, is in one of the armed forces, or that other circumstances prohibit immediate attention. Most firms, at the present time, are reticent to adopt proceedings against anyone in the forces or the wife of such a person. Much unfavourable publicity may be gained by forcing the situation, whereas, if lenience is shown for the present, appreciation is acknowledged by future settlement.

The same idea holds good in all extenuating circumstances where the will is apparent but ability is delayed. The average person will appreciate a kindness and reciprocate when permitted. When payments are received, they should be promptly entered on the relative cards so that unwarranted action may be avoided. It is most embarrassing to a customer to be reminded again if payment has already been sent.

Record of payments should be available to the customer for comparative purposes and care should be taken to ensure that such records are kept for a reasonable time at least after the obligation has been retired. This is particularly true when some third party is employed as some dispute may arise in the future as to payment in full having been effected.

In visualizing the various steps in ordinary collection procedure, the first would, of course, be the rendering of the statement as at the end of operations. This period may represent a full calendar month from the first to the thirty-first or may run from some one date within a month to a corresponding date in the next month. These would ordinarily apply to open charge accounts.

Statements relative to deferred payment accounts could, of course, assume the same periods of dating, but in place of a statement outlining the purchases for the month, a reminder of the instalment due may be sent. The terms relative to instalment accounts vary greatly and payments may be required weekly, semi-monthly or monthly.

A number of larger stores close off statements as at the close of business on the 25th of the month. Some require payment in full by the 10th of the following month, while others permit settlement by the 25th.

The next step would be a card or letter *reminder* that the account has not been paid and that immediate payment is expected in compliance with terms. Following inaction on the part of the customer, a letter is usually sent requesting payment or suitable reasons as to why settlement cannot be made. Failing to receive response to this letter, another is sent, insisting on cooperation so that further and more drastic action may be unnecessary.

When such a letter is unproductive of results, it is then necessary that a definite decision be made as to the final step. At this stage it is apparent that the person *cannot* or *will not* pay and either legal action or repossession will probably be necessary.

There is, of course, the option of placing the accounts in the hands of some third party, preferably the credit bureau, where more drastic follow-up is permitted without stress of the store's name being unduly applied. Oftentimes collection may be made through this medium without loss of good will, if such is still of value. Warning can be given the debtor that past-due accounts will affect his credit standing in the community. This, at times, does more to arouse one's sense of obligation than any number of letters from the address of the creditor.

In a general sense these steps may also apply to deferred accounts, the chief difference being that in the case of instalment accounts, the creditor retains title to the goods until paid for, which provides certain stimulus toward payment, particularly if the customer's equity is substantial. ★★★

An Invitation to Canadians, Everywhere

Having to read my articles is the penalty you pay for your modesty. How I watch the mails, longing for contributions for our Canadian section of The Credit World, from sources where assistance has been expected. To anyone from St. John's, Newfoundland to Victoria, British Columbia, I extend a sincere invitation to contribute to our columns. Let Canadians everywhere know the important happenings in your field of retail credit, or let us have an article for publication dealing with some specific phase of credit or collection procedure. Thanks.—*Carl B. Flemington.*

"Housing Act"

(Beginning on page 28.)

and the negotiation of the note to appellee thus became important and had a direct bearing upon whether appellee was a holder in due course. The endorsee of an instrument containing a blank as to any material part is not a holder in due course, because under such circumstances the instrument when received was not complete and regular on its face (citing cases).

"In order to develop these circumstances, when appellee's credit manager was on the witness stand, he was asked on cross-examination whether the handwriting in the note had been done in his office, and he replied in the negative. He was then asked who had figured the finance charges as embodied in the note and shown by the notice sent to appellants by appellee. An objection to this question was sustained. . . . We believe the question was not only proper but so important that the sustaining of the objection constituted reversible error. Appellants were not bound to accept the assertion of the witness that the blanks were not filled in in his office; they had the right to cross-examine in order to test the accuracy of his statement. We realize to the fullest extent that the purpose of the uniform negotiable instruments law, in effect in this jurisdiction as well as throughout the U. S., is to facilitate the negotiation of commercial paper. This beneficial purpose, however, is hindered, not furthered, by weakening the safeguards thrown by the act around those members of the public who may be taken advantage of under the guise of the statute." ★★★

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That the day may bring Health and Happiness and the next twelve months may see continued progress toward world peace and prosperity.

But stronger yet:

That one and all may learn anew that great truth that "it is more blessed to give than to receive."

And still stronger:

That all may follow the example of unselfishness and interest in our fellow man given to us by that "Child of Bethlehem" many years ago.

Sincerely,

W J Tate

PRESIDENT
National Retail Credit Association

Credit Bureau Musts

1. Upon completing application for credit, obtain complete report from your Credit Bureau.
2. The necessary data should be furnished to the Bureau, such as:
   - A. First name and second initial of applicant for credit, and if married, first name of wife or husband.
   - B. Residence address for past three to five years.
   - C. Position and place of employment for past three years.
   - D. Trade references.
   - E. Bank account and whether checking or savings.
   - F. Whether monthly charge or instalment account.
3. Rush reports should be requested only when absolutely necessary. An unusual number of such requests will seriously affect the service of the Credit Bureau and increase its operating costs.
4. Requests from the Bureau for credit information should be handled with dispatch, to insure:
   - A. Prompt service to inquiring member, and,
   - B. Courtesy to the customer referring to you.
5. Report to the Bureau all slow and unsatisfactory accounts, excess returners of merchandise and customers inclined to overbuy.
6. Charge accounts of customers inactive for more than a year should be checked through the Bureau, to ascertain current credit standing.
7. Look upon your Bureau as you would a key executive and an important department of your business, essential to the successful extension of credit.
8. Cooperate with the Bureau to:
   - A. Improve credit conditions in your community, and,
   - B. Consider it your responsibility to contribute to the success of the Bureau in all its activities.
9. Use your Credit Bureau freely, with the knowledge that money expended for reliable credit reports enables you to extend credit safely and is an investment and not an expense.
10. In an effort to effect savings, do not communicate with references direct. Such information is, as a rule, only partially complete and in the long run, much more costly than the purchase of credit reports on all applicants.

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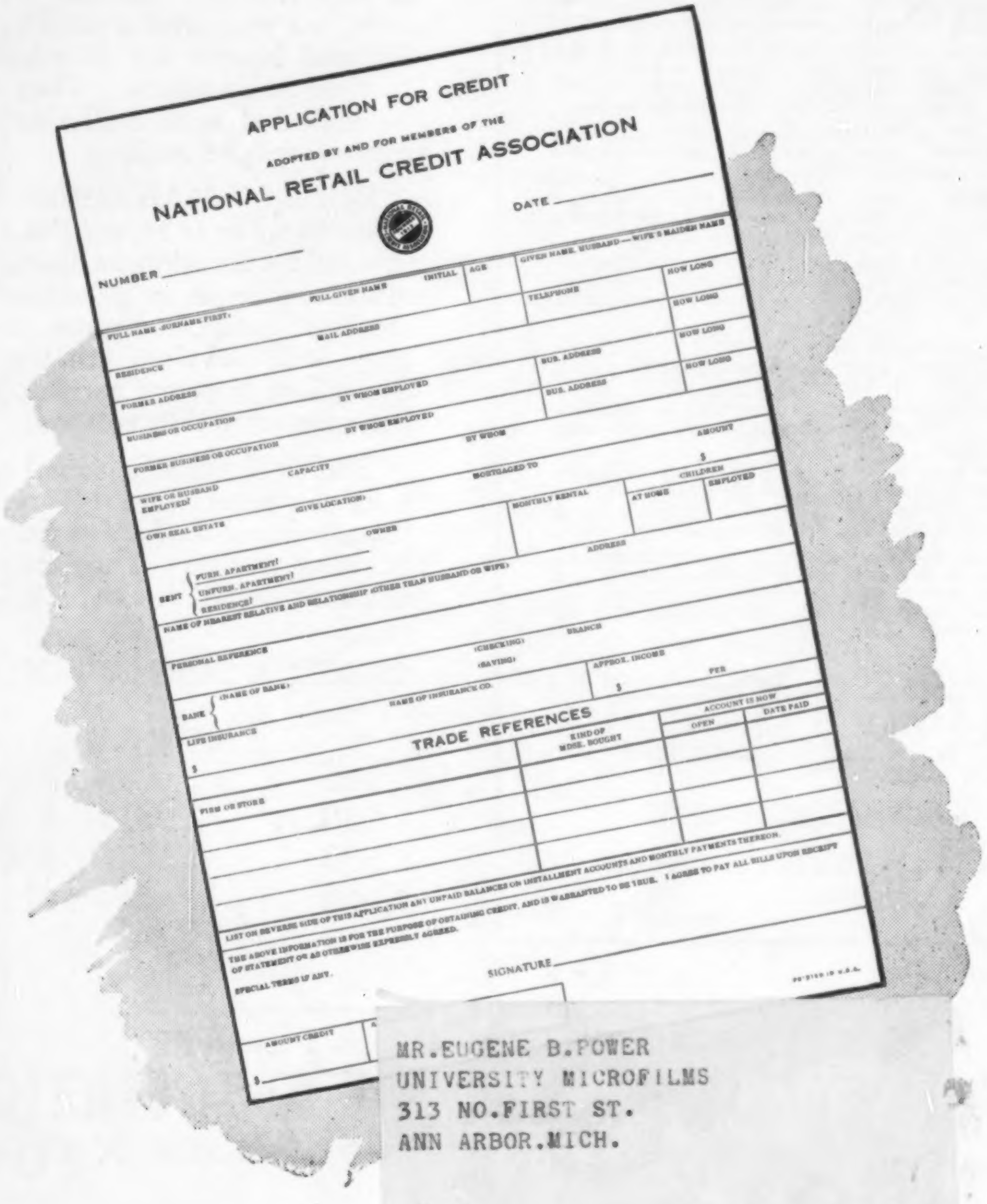

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